



20 September 2023

AUDIT AND ETHICS COMMITTEE – 28 SEPTEMBER 2023

A meeting of Audit and Ethics Committee will be held at 6pm on Thursday 28 September 2023 in Committee Room 1 at the Town Hall, Rugby.

Mannie Ketley
Chief Executive

A G E N D A

PART 1 – PUBLIC BUSINESS

1. Minutes.

To confirm the minutes of the meeting held on 20 July 2023.

2. Apologies.

To receive apologies for absence from the meeting.

3. Declarations of Interest.

To receive declarations of:

(a) non-pecuniary interests as defined by the Council's Code of Conduct for Councillors;

(b) pecuniary interests as defined by the Council's Code of Conduct for Councillors;
and

(c) notice under Section 106 Local Government Finance Act 1992 – non-payment of Community Charge or Council Tax.

Note: Councillors are reminded that they should declare the existence and nature of their non-pecuniary interests at the commencement of the meeting (or as soon as the interest becomes apparent). If that interest is a pecuniary interest the Councillor must withdraw from the room unless one of the exceptions applies.

Membership of Warwickshire County Council or any Parish Council is classed as a non-pecuniary interest under the Code of Conduct. A Councillor does not need to declare this interest unless the Councillor chooses to speak on a matter relating to their membership. If the Councillor does not wish to speak on the matter, the Councillor may still vote on the matter without making a declaration.

4. Councillor Complaints and Ethical Governance Update.
5. Approval of the Financial Statements for 2022/23.
6. Internal Audit Progress Update.
7. Motion to Exclude the Public under Section 100(A)(4) of the Local Government Act 1972.

To consider passing the following resolution:

“Under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the ground that they involve the likely disclosure of information defined in paragraphs 1, 2 and 3 of Schedule 12A of the Act.”

PART 2 – EXEMPT INFORMATION

1. Limited Assurance Internal Audit Reports.
2. Whistle Blowing Incidents – Standing Item – to receive any updates.
3. Fraud and Corruption Issues – Standing Item – to receive any updates.

Any additional papers for this meeting can be accessed via the website.

The Reports of Officers are attached.

Membership of the Committee: Mr P Dudfield (Chair), Mr J Eves (Vice-Chair), Councillors Mrs Roberts, Roberts, Roodhouse and Slinger

Named Substitutes: Councillors Mrs A'Barrow, Mrs Hassell, Moran and one vacancy

If you have any general queries with regard to this agenda please contact Veronika Beckova, Democratic Services Officer by emailing veronika.beckova@rugby.gov.uk. Any specific queries concerning reports should be directed to the listed contact officer.

AGENDA MANAGEMENT SHEET

Report Title: Councillor Complaints and Ethical Governance Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 28 September 2023

Report Director: Chief Officer - Legal and Governance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All

Prior Consultation: None

Contact Officer: Aftab Razzaq, Chief Officer - Legal and Governance, aftab.razzaq@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: Yes

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: As part of the council's Corporate Strategy and within the Organisation outcome, there is a commitment to maintain high levels of ethical standards by all councillors and provide biannual reports to Audit and Ethics Committee in relation to number of complaints and overall ethical governance.

Financial Implications:	None arising directly from this report.
Risk Management/Health and Safety Implications:	None arising directly from this report.
Environmental Implications:	None arising directly from this report.
Legal Implications:	None arising directly from this report.
Equality and Diversity:	None arising directly from this report.
Options:	Not applicable.
Recommendation:	The report be noted.
Reasons for Recommendation:	Not applicable.

Audit and Ethics Committee - 28 September 2023

Councillor Complaints and Ethical Governance Update

Public Report of the Chief Officer - Legal and Governance

Recommendation

The report be noted.

1. INTRODUCTION

As part of the council's Corporate Strategy and within the Organisation outcome, there is a commitment to maintain high levels of ethical standards by all councillors and provide biannual reports to this Committee in relation to number of complaints and overall ethical governance.

This is outlined within this report.

2. ETHICAL AND GOVERNANCE UPDATE

As part of the council's Corporate Objectives, there continues to be a focus on maintaining high standards of ethics and governance.

Over the past few months work has been undertaken in conjunction with the LGA. This has included the delivery of training sessions and supporting the council's work in respect of the relationship between councillors and officers.

There is also a present workstream in respect of a review of the council's Constitution and this will form part of a recommendation to the Constitution Working Group and thereafter Full Council.

The council has also recently introduced an Internal Constitution. This provides an internal central document for all officers to provide clarity on processes and the required ways of working. Again, this supports the council's work in maintaining strong governance.

3. TRAINING

Democratic Services have been liaising with training co-ordinators from the various political parties in respect of the formulation of the councillor training programme.

The council also adopted a new Learning and Development Policy for all councillors. A key area within this policy focuses on councillors identifying areas of training and goals throughout the municipal year. This engagement will also support the formulation of the councillor training programme.

Within the training programme the following supports ethics and governance:

- **Code of Conduct** – this is compulsory for all new councillors and is strongly encouraged for all existing councillors. It provides an overview of the Code of Conduct and the responsibilities for all councillors.

Attendance: 33%

3 new councillors did not attend.

- **Public Speaking Skills and The Role of a Councillor** – this was a non-compulsory session provided by the LGA and provided an overview of the role and responsibilities of a councillor. The session also included public speaking within council meetings.

Attendance: 43%

- **Governance** – this was a non-compulsory session providing an overview of the council decision making processes and overall governance structure.

Attendance: 45%

As reflected within the present municipal year there have been sessions held in respect of governance and decision making and these will remain in place. This will be alongside other key areas such as the Code of Conduct and social media.

It is important that councillors attend such sessions as a sound understanding of these key topics ensures members can effectively carry out their duties and importantly high standards of ethical governance are maintained.

A key point of note for consideration is whether the council and importantly this Committee would require the above sessions to be made mandatory for all councillors.

4. COUNCILLOR AND OFFICER PROTOCOL

The council is continuing with its journey in the implementation of the Councillor and Officer Protocol.

This has included a workshop between councillors and officers that took place on 12 September. This workshop focused on feedback and the various pillars within the protocol.

The working relationship between councillors and officers are at the very heart of how the council operates effectively and how each party carries out their functions. This also supports strong ethics and governance.

5. COUNCILLOR COMPLAINTS

As set out within the council's Constitution there is a separate complaint process relating to councillors. Councillors are required to uphold the Councillor Code of Conduct and any potential breach of this is duly investigated. These matters are investigated by the council's Monitoring Officer.

In addition to Rugby Borough councillors, there is also the responsibility to investigate parish council complaints.

The number of complaints during the municipal year are as follows:

Borough Council Complaints

- Quarter 1 – 1
- Quarter 2 to date – 3

Parish Council Complaints

- Quarter 1 – 0
- Quarter 2 to date – 0

Several complaints are dealt with informally and therefore are not required to go through the formal complaint process.

It is acknowledged that there needs to be greater expediency in dealing with councillor complaints. On this basis further work has been undertaken internally to ensure the required processes are implemented to address this expediency.

In addition, there will also be performance measures put in place in respect of councillor complaints. This will focus upon the length of time taken to process a councillor complaint and this will include a required timescale to deal with such complaints. This deadline in dealing with complaints is not made clear within the present complaint protocol and it proposed that this be amended.

The incorporation of such measures supports the council's corporate objectives and aspirations towards a culture of performance management. These performance measures will be shared as part of these scheduled update reports.

6. CONCLUSION

Within this report it is acknowledged that the Councillor Complaint Protocol is amended with relevant timescales incorporated. This will be supported by required performance measures that will be shared with this committee. Finally, it is recognised that training forms a key part in the council achieving the required standards of ethics and governance. On this basis, consideration needs to be given in respect mandatory training.

It is important that the council maintains the highest possible ethical standards. This can only be achieved by putting in place a robust framework and providing councillors with the various tools to understand their roles and the implications if such standards are not met. The continued training, engagement with councillors and overall review will ensure that this corporate objective is met.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 28 September 2023
Subject Matter: Councillor Complaints and Ethical Governance Update
Originating Department: Legal and Governance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

AGENDA MANAGEMENT SHEET

Report Title: Approval of the Financial Statements for 2022/23

Name of Committee: Audit and Ethics Committee

Date of Meeting: 28 September 2023

Report Director: Chief Financial Officer

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: All

Prior Consultation: None

Contact Officer: Paul Conway, Finance Manager,
paul.conway@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

Summary: This report asks Councillors to consider the Council's updated Financial Statements and approve for signature and publication.

Financial Implications: As detailed in the financial statements.

Risk Management/Health and Safety Implications: As detailed in the financial statements.

Environmental Implications:	There are no environmental implications for this report.
Legal Implications:	The Council is required to produce and publish its Financial Statements under the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015.
Equality and Diversity:	There are no equality and diversity implications for this report.
Options:	None
Recommendation:	<ol style="list-style-type: none"> 1) The updated Audit Findings Report for 2022/23, as attached at Appendix A, be noted. 2) The Management Representation Letter for 2022/23, as attached at Appendix B, be approved. 3) The signing of the Management Representation Letter for 2022/23 be delegated to Chief Financial Officer. 4) The Statement of Accounts for 2022/23, as attached at Appendix C, be approved. 5) The Statement of Accounts for 2022/23 be signed using electronic signatures of the Chair of Audit and Ethics Committee and the Chief Financial Officer.
Reasons for Recommendation:	The Council is statutorily required to produce and publish its Financial Statements for the 2022/23 financial year.

Audit and Ethics Committee - 28 September 2023

Approval of the Financial Statements for 2022/23

Public Report of the Chief Financial Officer

Recommendation

- 1) The updated Audit Findings Report for 2022/23, as attached at Appendix A, be noted.
- 2) The Management Representation Letter for 2022/23, as attached at Appendix B, be approved.
- 3) The signing of the Management Representation Letter for 2022/23 be delegated to Chief Financial Officer.
- 4) The Statement of Accounts for 2022/23, as attached at Appendix C, be approved.
- 5) The Statement of Accounts for 2022/23 be signed using electronic signatures of the Chair of Audit and Ethics Committee and the Chief Financial Officer.

1 Introduction

- 1.1 The Financial Statements for 2022/23 which were presented to the Audit Committee on 29 June 2023 have now been audited by Grant Thornton (the Council's external auditor). The amendments from the pre-audit accounts are summarised in the external auditor's Audit Findings report.
- 1.2 The Committee needs to be aware of the following principle changes:
 - As outlined in June, the Revaluation of Council Housing properties was not complete. This was completed prior to the audit commencing and the Auditors started the audit with the changes completed. The valuers work resulted in an impairment of assets the effect of which was to reduce the carrying value of PPE and an increase in the value of the Unusable reserve, the Capital Adjustment Account.
 - Highlighted in June was the fact that the Actuarial value of the Council's Pension Fund balance was an asset of £6.571m. After consideration and consultation with the auditor, and in line with accounting standards (IFRIC 14), the premise is that the asset is unusable and not accessible to the Council. Therefore the carrying value has been reduced to Nil, as shown in note 35.
 - Reserves have been updated to reflect the approval of £0.168m of unused budget as a carried forward reserve, in the out-turn report, and the transfer of £0.459m to the budget stability reserve to maintain the General Fund Balance at £2.25m as approved.
 - Several notes have been updated to correct presentation errors and omissions.
 - Roundings and spelling errors have been corrected where identified.

2 Period of inspection

- 2.1 The accounts were open for public inspection from 1 June until 12 July 2023.
- 2.2 Neither the Council nor the Auditor received any contact from a member of the public.

3 Statutory deadlines

- 3.1 The deadline for publishing unaudited accounts was 31 May for the 2022/23 accounts compared to the 31 July for 2021/22 accounts. The Council met both deadlines.
- 3.2 The deadline for publishing the audited Statement of Accounts is 30 September 2023. Adoption of the accounts at this Committee meeting will give the Auditors time to issue their opinion by the deadline.
- 3.3 For the 2021/22 accounts the deadline was 30 November 2022. Audit and Ethics Committee met and approved the Statements on 1 December 2022 and the audit opinion was issued on 15 December 2022.

Name of Meeting: Audit and Ethics Committee

Date of Meeting: 28 September 2023

Subject Matter: Approval of the Financial Statements for 2022/23

Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY **YES** **NO**

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

The Audit Findings for Rugby Borough Council

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

T 0121 232 5240

E avtar.s.sohal@uk.gt.com

Willem Smit

Senior Manager

T 0121 232 5104

E willem.jj.smit@uk.gt.com

Kashif Khattak

Assistant Manager

T 0121 232 5304

E khasif.t.khattak@uk.gt.com

Section

	Page
1. Headlines	3
2. Financial statements	6
3. Value for money arrangements	16
4. Independence and ethics	18

Appendices

A. Communication of audit matters to those charged with governance	22
B. Action plan – Audit of Financial Statements	23
C. Audit Adjustments	25
D. Fees and non-audit services	27
E. Auditing developments	29

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit and Ethics Committee.

Name: Avtar Sohal
For Grant Thornton UK LLP
Date: 20 September 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Rugby Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We reviewed the pension fund asset against the requirements of IFRIC 14 and noted that the asset cannot be realised in the form of a refund from the pension fund or reduced payments to the pension fund and as a result the asset ceiling was capped at £nil, in line with the guidance from IFRIC 14. This resulted in a write down of the pension fund asset to £nil in the balance sheet.

Our audit work was completed on site and remotely during July-September. The statutory audit is a demanding process and in recent years the expectations upon auditors from regulators has continued to increase. The level of challenge now expected and the volume and range of audit evidence we are required to obtain and scrutinise is substantial with a consequential impact upon our requests on finance staff.

Our findings are summarised on pages 23 to 24. We have identified:

- A number of disclosure/presentation adjustments which do not impact on the authorities reported financial position
- There were no unadjusted misstatements

Audit adjustments are detailed in Appendix E.

The Audit and Ethics Committee is asked to confirm its agreement to management proposals not to amend for the unadjusted misstatements.

We have also raised one recommendation for management as a result of our audit work. This is set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Response from Pension find auditor and completion of procedures thereon
- Receipt of the signed financial statements
- Receipt of the signed letter or representation
- Update of our post balance sheet events review to the date of sign off

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed all of our VFM work. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. See Annual Auditors Report for further details.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in September 2023.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. We have raised a recommendation in Appendix B in respect to ensure that quality review procedures are in place when preparing to reduce the number of amendments and errors reported.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us and we would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff which enabled the smooth running of the audit.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Rugby Borough Council have recently borrowed from PWLB, at a time where interest rates were lower than they are currently. We consider this a prudent way to finance their capital and investment plans with no indication of overborrowing. The Council also have a number properties which are leased to third parties for an additional source of recurrent income, which contributes to the financial strategy of the Council.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Ethics Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We reviewed the pension fund asset against the requirements of IFRIC 14 and noted that the asset cannot be realised in the form of a refund from the pension fund or reduced payments to the pension fund and as a result the asset ceiling was capped at £nil, in line with the guidance from IFRIC 14. This resulted in a write down of the pension fund asset to £nil in the balance sheet.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Ethics Committee meeting on 28 November 2023. These outstanding items include:

- Response from Pension fund auditor and completion of procedures thereon
- Receipt of the signed financial statements
- Receipt of the signed letter or representation
- Update of our post balance sheet events review to the date of sign off
- Completion of work on revaluations of property, plant and equipment

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan June 2023

We set out in this table our determination of materiality for Rugby Borough Council.

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	£1,400,000	We determined that total expenditure in year was the most appropriate benchmark. Our risk assessment led us to set materiality at approximately 2% of prior year gross expenditure. We did not identify a requirement to change this upon receipt of draft financial statements.
Performance materiality	£980,000	Based on the internal control environment at the Council we determined that 75% of headline materiality would be an appropriate benchmark.
Trivial matters	£70,000	We decided that matters below 5% of materiality were trivial.
Materiality for Senior Officer Remuneration	£11,800	We identified senior management remuneration as a sensitive item and set a lower materiality of £11,800 for testing these items



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness <p>Our audit work has not identified any issues in respect of management override of controls.</p>
<p>Valuation of Other Land Buildings</p> <p>Assets were subject to a full valuation in 2022/23.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter</p>	<p>We:</p> <ul style="list-style-type: none"> • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the evaluation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation experts • wrote to the valuers to confirm the basis on which the valuations were carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register • We challenged the data and assumptions used in the valuations and agreed them back to auditor obtained supporting data <p>To date the work is in progress but no anomalies have come to our attention to date. We will revert with an update upon completion of the work.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

The discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately £2.093m effect on the liability. Regarding these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

- We have:
- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- requested assurances from the auditor of Warwickshire Pension Fund as to the controls surrounding the validity and accuracy of membership data post triennial valuation, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- We reviewed the pension fund asset against the requirements of IFRIC 14 and noted that the asset cannot be realised in the form of a refund from the pension fund or reduced payments to the pension fund and as a result the asset ceiling was capped at £nil, in line with the guidance from IFRIC 14. This resulted in a write down of the pension fund asset to £nil in the balance sheet.

From the procedures carried out we are satisfied that the valuation of pension fund liability is free from material misstatement. To be revisited after feedback from the pension fund auditor

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations	Other land and buildings are not deemed specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Godfrey Payton to complete the valuation of properties as at 31/3/2023 . All of the Authority's assets were revalued during 2022/23.	<p>We have:</p> <ul style="list-style-type: none"> - evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; - evaluated the competence, capabilities and objectivity of the valuation expert; - discussed with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met; - challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and - tested revaluations made during the year to see if they had been input correctly into the Council's asset register. <p>To date the work is in progress but no anomalies have come to our attention to date. We will revert with an update upon completion of the work.</p>	

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates













Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension asset– £4,751k	<p>The Council's net pension asset at 31 March 2023 is £4,751k. This is in relation to the Council's obligations as a member employer of the Warwickshire Pension Fund, part of the Local Government Pension Scheme. The Council uses Hymans Robertson to provide actuarial valuations of their assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2023. A s membership data is up to date at 31 March 2023, key assumptions such as life expectancy, discount rates, salary growth and investment return are estimated by the Actuary. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £23.21m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> Undertaken an assessment of management's expert; Reviewed and assessed the actuary's triennial valuation approach; Used o PwC as auditors expert to assess the actuary and assumptions made by actuary, summarised below; <table border="1" data-bbox="1028 651 1839 1046"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.95-3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>2.95-3.95%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.9 years</td> <td>N/A</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>26 years</td> <td>N/A</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Determined the completeness and accuracy of the underlying information used to determine the estimate Reviewed the impact of any changes to valuation method Tested the reasonableness of the Council's share of LGPS pension assets. Tested the reasonableness of decrease in estimate Verified the adequacy of disclosure of estimate in the financial statements <p>We are Awaiting assurances from the pension fund auditors to finalise the audit of the pension fund liability</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	2.95-3.00%	●	Salary growth	3.45%	2.95-3.95%	●	Life expectancy – Males currently aged 45/65	21.9 years	N/A	●	Life expectancy – Females currently aged 45/65	26 years	N/A	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.75%	4.75%	●																								
Pension increase rate	2.95%	2.95-3.00%	●																								
Salary growth	3.45%	2.95-3.95%	●																								
Life expectancy – Males currently aged 45/65	21.9 years	N/A	●																								
Life expectancy – Females currently aged 45/65	26 years	N/A	●																								

Assessment





- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

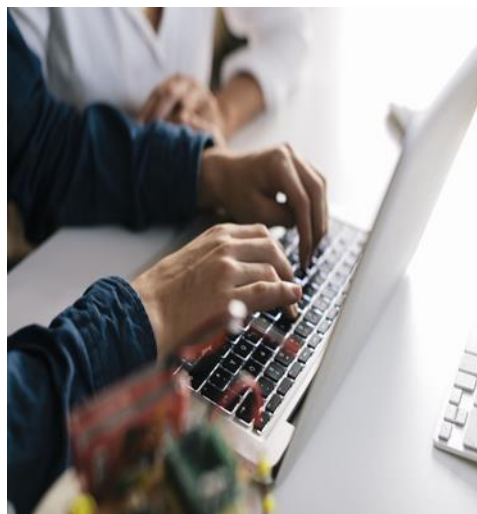
IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Agresso (financial reporting)	ITGC assessment (design and implementation effectiveness only)				
Civica (asset management)	ITGC assessment (design and implementation effectiveness only)				
Itrent (payroll)	ITGC assessment (design and implementation effectiveness only)				

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.



Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Ethics Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Ethics Committee papers
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority's banking counterparties. This permission was granted and the requests were sent. All requested responses have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified We plan to issue an unmodified opinion in this respect – refer to Appendix I</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	<p>We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in September 2023.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information



Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed all of our VFM work. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk/s set out in the table below.

Risk of significant weakness	Work performed to date
Financial sustainability	<p>In our 2020/21 VFM review (issued May 2022) we identified a significant weakness in the Council's arrangements to manage the underlying deficit in its finances that has been identified over the medium term. In our view, while good progress has been made the Council's financial position continues to be un-sustainable in the medium to long term. Therefore, this area remains a significant VFM risk throughout 2021/22 and 2022/23. The Council has begun to implement changes to address the Key Recommendation we made in 2020/21 (KR1) but further work is required to close the projected funding deficit. We note that the Council had moderate to large overspends on the revenue budget in both 2021/22 and 2022/23, that were partly covered by the unplanned use of reserves.</p> <p>The latest Medium Term Financial Strategy (MTFS) prepared alongside the 2023/24 budget, continues to project a significant shortfall of funding for its services over the medium term of £8.3m, which has been exacerbated by adverse economic conditions and inflation that followed the Council's emergence from the COVID-19 pandemic.</p> <p>We note that the Council has now embedded its transformation programme over the last two years, but at the time of writing this report, the level of savings and efficiencies generated from it have not yet been of sufficient magnitude to address the budget gap over the medium term up to 2025/26. Further the programme had not yet established clear workstreams and specific areas of focus that will enable it to contribute the savings required. While we are satisfied that the Council's financial future remains in its own hands for the moment, largely thanks to its reserves position, the Council needs to maintain a high level of focus and effort on cost control and service transformation in order to return to a sustainable financial position within a reasonable timeframe</p>

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	40,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £40,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Pooling of Housing capital receipts return	7,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related			
CFO Insights Subscription	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Ethics Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Audit Adjustments
- D. Fees and non-audit services
- E. Auditing developments

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>During the audit we noted several disclosure errors in the financial statements that were communicated to management and corrected. Upon reflection we noted that these deficiencies occurred due to weakness in the financial statements' preparation and review processes. These are detailed in Appendix C</p>	<p>The Council should ensure they do a thorough quality check of the financial statements ahead of publication and submission for audit. Council should embed more thorough quality checks on the draft accounts ahead of publishing the statements and presenting for audit</p> <p>Management response XXXXX</p>
<p>● Medium</p>	<p>As discussed with management, the client extracted the report for certain Housing benefit account codes a few days earlier than 31st March. Hence this is a control point that will be raised in the action plan as due to this there may be some gaps in the actual provisioning required.</p>	<p>Council should draw time sensitive information on 31 March to avoid differences arising as a result of timing differences.</p> <p>Management response XXXXX</p>
<p>● Medium</p>	<p>For the NNDR And Council Tax Substantive Analytical Procedure, we shared a sample of 25 for NNDR and Council Tax applicants to be agreed to source documentation. But out of total 25 each client not able to share source documents for 2 of the Council Tax and 15 for NNDR SAP. Post discussion with the Revenue Team, it was mentioned that the support documentation are too old to retain and cannot be retrieved.</p>	<p>Council should retain electronic copies of information to allow for the retrieval of information for audit purposes.</p> <p>Management response XXXXX</p>
<p>● Medium</p>	<p>We found that the CEO most recent annual declaration was last completed in April 2021 compared to the rest of the leadership team, who submitted in 2023. The Council did confirm that there were no further disclosures or changes of declarations for the CEO since 2021, however, this should be kept to date.</p>	<p>Management and Council should complete annual declarations of interest</p> <p>Management response</p>

Key

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

B. Action plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>The Minimum Revenue Provision is 1.75% of opening Capital Financing Requirement (excluding HRA Items). We have checked the calculations as accurate and whilst this is below 2%, it is only just below this level.</p>	<p>The minimum revenue provision should be set at 2% of CFR to avoid not having sufficient funds available for capital expenditure / capital finance repayments in future.</p> <p>Management response XXXXX</p>
<p>● Medium</p>	<p>During our completeness and inspection procedures we noted that the earlier version of the Financial instrument note shared has information related to debtors and creditors which are not correct and include some non-financial instruments as well. Accordingly, the Council removed the £62k from Long-term debtors, £1,716k from short term debtors , and £661k from the Short-term creditors . Accordingly Correct numbers have now been revised by the client post discussion.</p> <p>Also, for the debtors and creditors of PY numbers those have been updated as earlier they include elements which are not Financial instruments as well. Accordingly, those have been adjusted as well for correct disclosure.</p> <p>Accordingly, PY Long term debtors of 49k (Being Employee vehicle loans) , 1.5million of rent payers (being stat dues as discussed with client) have been reduced from PY signed numbers to represent the correct disclosure.</p>	<p>Council should review its financial statements in detail to ensure errors do not occur in the financial statements</p> <p>Management response XXXXX</p>

Key

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
Fees and Charges Income adjusted to exclude various incorrect account codes the amounts to a classification adjustment	0	0	0	0
Overall impact	£0	£0	£0	£0

C. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue /Omission	Auditor recommendations	Adjusted?
Note 6 & 7	EFA and MIRS adjustments were required resulting in an adjustment to £6,779k, from £7.4m, Other Income and expenditure section for "Adjustment of capital purposes", and an adjustment for other difference to £2.02m from £2.6m. Also, for Note 7 "total adjustment" numbers had to be updated.	✓
Note 12	Other Revenue Grants & Section 106 Funding included £329k which should not have been included in the Grant income..	✓
Note 13	Council dwellings were included at £197,930k for the 21/22 financial year instead of at £195,917k for the 22/23 financial year.	✓
Note 16	The note on intangible assets was originally omitted from the financial statements.	✓
Note 17	The financial instruments note was incorrectly prepared which meant that some of the balances were incorrect and included non-financial instruments. The Council removed the £62k from Long-term debtors, £1,716k from short term debtors, and £661k from the Short-term creditors. Prior year disclosures were also amended accordingly.	✓
Note 25	The cash flow statement movement of debtors should include £9,005k and the movement for creditors should be £2,770k. The cash flow statement was rolled forward from the prior year and the 2021/2022 has not been adjusted for a late adjustment between debtors and creditors.	✓
Note 25 & 27	The Collection Fund movement was incorrect and should be £2,627k rather than the £4,123k as stated.	✓
Note 29	Other employees over £50k disclosure was incorrect should be £50-55k:2, £55-60k: 2, £60-65k: 1.	✓
Note 34	The return on plan assets is incorrectly stated as (£133k), whereas it should be stated at (£4,751k).	✓
Note 34	The IAS19 disclosure of the asset split was omitted from the disclosure note. Also, the pension fund asset was reduced to £nil after the IFRIC 14 consideration.	✓
HRA note 3	Major Repairs Reserve the correct balance brought forward figure is (£3,805k), with Amount transferred during the year amounting to (£3,439k), Appropriations amounting to 0 and Capital Financing amounting to £2,183k resulting in a balance carried forward of (£5,061k).	✓
HRA note 8	The figure was excluded from the draft accounts. The correct figures should be Write-off/Write on £7k and a provision made in the year of (£80k) resulting in a balance carried forward of (£555k).	✓

D. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services

	Planned fee 2022/23	Final Fee 2022/23
Rugby Borough Council Audit	£68,176	£78,176
Total audit fees (excluding VAT)	£68,176	£78,176

We have proposed a fee variation of £10,00 in respect of increased time taken to undertake the audit given delays in receiving auditable information for PPE, adjustments made to the financial statements and application of IFRIC 14 in respect of IAS19. The fee variation is subject to approval PSAA approval and therefore not reflected in the audited financial statements for the year ended 31 March 2023. See following page for details

The fees reconcile to the financial statements.

Fees per financial statements	67,000
Under accrue of fees	1,176
Fee variation	10,000
Total fees per above	68,176

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Housing Benefit subsidy claim (HBAP)	£40,000	TBC
Certification of Pooling of Housing Capital Receipts return	£7,500	TBC
Non-Audit Related Services		
CFO Insights (2022/23)	£6,000	£6,000
Total non-audit fees (excluding VAT)	£53,500	£TBC

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

D. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Final fee
Scale fee published	£49,826
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Enhanced audit procedures on journals testing	£3,000
Payroll – Changes of Circumstances	£500
Collection Fund – Reliefs Testing	£750
ISA 315	£3,000
Other – delays in completing PPE due to delays from Valuer	£4,000
Other – errors in relation to the preparation of accounts and amendments	£3,000
Other – additional work on IFRIC 14 considerations not applied to the financial statements in respect of IAS19	£3,000
Total audit fees (excluding VAT)	£78,176

E. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.





APPENDIX B

Grant Thornton UK LLP
17th Floor, 103 Colmore Row
Birmingham B3 3AG

Dear Grant Thornton UK LLP

Rugby Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Rugby Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings and pension fund liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvi. Any other matters that the auditor may consider appropriate.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Ethics Committee at its meeting on 28 September 2023.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council



Statement of Accounts Rugby Borough Council 2022/23

Contents	Page
Narrative Report	5
Statement of Responsibilities	12
Future Financial Outlook and Financial Resilience	21
Statement of Responsibilities	25
The Primary Financial Statements	26
<ul style="list-style-type: none"> • Comprehensive Income and Expenditure Statement 	26
<ul style="list-style-type: none"> • Movement In Reserves 	27
<ul style="list-style-type: none"> • Balance Sheet 	28
<ul style="list-style-type: none"> • Cash Flow Statement 	29
Notes to the Accounting Statements	30
Housing Revenue Account (HRA)	82
Collection Fund Statement	88
Independent Auditor Report	92
Error! Reference source not found. Governance Statement	93
Glossary	95

Note	Notes to the Accounting Statements Index	Page
1	General Principles	30
2	Accounting Standards issued, but have not yet been adopted	30
3	Critical Judgements in applying accounting policies	30
4	Assumptions made about the future and other major sources of estimation uncertainty	31
5	Events after the Reporting Period	32
6	Expenditure and Funding Analysis	33
7	Adjustments between Accounting Basis and Funding Basis under Regulations	35
8	Expenditure and Income Analysis by Nature	38
9	Other Operating Expenditure	38
10	Financing and Investment Income and Expenditure	39
11	Taxation and Non-Specific Grant Income and Expenditure	39
12	Grant Income	39
13	Property, Plant and Equipment	42
14	Heritage Assets	44
15	Investment Properties	45
16	Intangible Assets	
17	Assets Held for Sale	45
18	Financial Instruments	46
19	Cash and Cash Equivalents	49
20	Debtors	49
21	Creditors	50
22	Provisions	50
23	Usable Reserves	51
24	Movement in Earmarked Reserves	51
25	Unusable Reserves	53
26	Cash Flow Statement – Operating Activities	57
27	Cash Flow Statement – Investing Activities	58

Note	Notes to the Accounting Statements Index	Page
28	Cash Flow Statement – Financing Activities and Reconciliation of Liabilities arising from Financing Activities	58
29	Councillors Allowances	58
30	Officers' Remuneration	59
31	Audit Fees	60
32	Related Party Transactions	61
33	Capital Expenditure and Financing	62
34	Leases	63
35	Defined Benefit Pension Scheme	64
36	Contingent Assets and Liabilities	67
37	Accounting Policies	67
38	Nature and Extent of Risks Arising from Financial Instruments	79

Narrative Report

Narrative Report of the Chief Officer – Finance and Performance

Dear Reader,

I am pleased to present the Rugby Borough Council Statement of Accounts (the Accounts) for the financial year 2022/23 and I hope you will find them of interest.

The purpose of the Accounts is to summarise the financial performance for the year 2022/23 and the overall financial position of the Council. It is intended that these Accounts will provide a useful and important source of financial information for the community, stakeholders, councillors and other interested parties.

The style and format of the Accounts complies with Chartered Institute of Public Finance and Accountancy (CIPFA) standards and the presentation is designed to make them user-friendly and accessible.

The Narrative Report provides information about Rugby, including the key issues affecting the Council and its Accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as follows:

- About Rugby Borough Council
- Governance
- Corporate Strategy 2021-24
- Financial Overview 2022/23
- Future Financial Outlook and Financial Resilience
- Finance Resilience Conclusion
- Financial Statements
- Further Information

Jon Illingworth CPFA
Chief Officer – Finance and Performance
31 May 2023

About Rugby Borough Council

We are an ambitious local authority serving the borough of Rugby, in the centre of England close to Coventry, Leicester and Northampton.

One of the fastest growing boroughs in the country, we serve around 114,000 residents. We are proud of our diverse communities, our vibrant third sector, our environmental assets and the businesses that operate here.

We have ambitious plans for how the borough will develop in the future, ensuring a strong economy, healthy communities and environmental sustainability.

With major housing, retail and employment developments both recently completed, and in the pipeline, and a town centre regeneration programme getting started, it's an exciting time to live and work in Rugby.

We employ around 420 staff working in our offices, at home, across our cultural facilities and running our direct labour services. 42 borough councillors, representing electors in 16 wards, run the council using a leader and cabinet model.

Our main services include waste and recycling, planning, development strategy, housing, licensing, elections, council tax, benefits, parking, business support and economic regeneration, community safety, environmental health, commercial regulation, parks and open spaces, arts and visitor services, bereavement services, and sport and recreation.

Demographic information provides statistics on the population, age profile, deprivation, occupations and economy, and it gives a picture of the population served by Rugby Borough Council.

A summary of the relevant demographic information for Rugby is shown in the diagram below.



Our plans for growth include two sustainable urban extensions, one on the eastern side of Rugby at Houlton, and one south west of Rugby. Both developments include significant housing and employment provision, and we are working hard to make sure that they are balanced, happy communities.

We have committed to become net zero carbon by 2030. Our approach is to deliver change within our areas of direct responsibility, enable others to make changes where we can, and influence change outside of our control. We want Rugby to be an environmentally sustainable place where we work together to reduce and mitigate the effects of climate change, transitioning Rugby to a low carbon place.

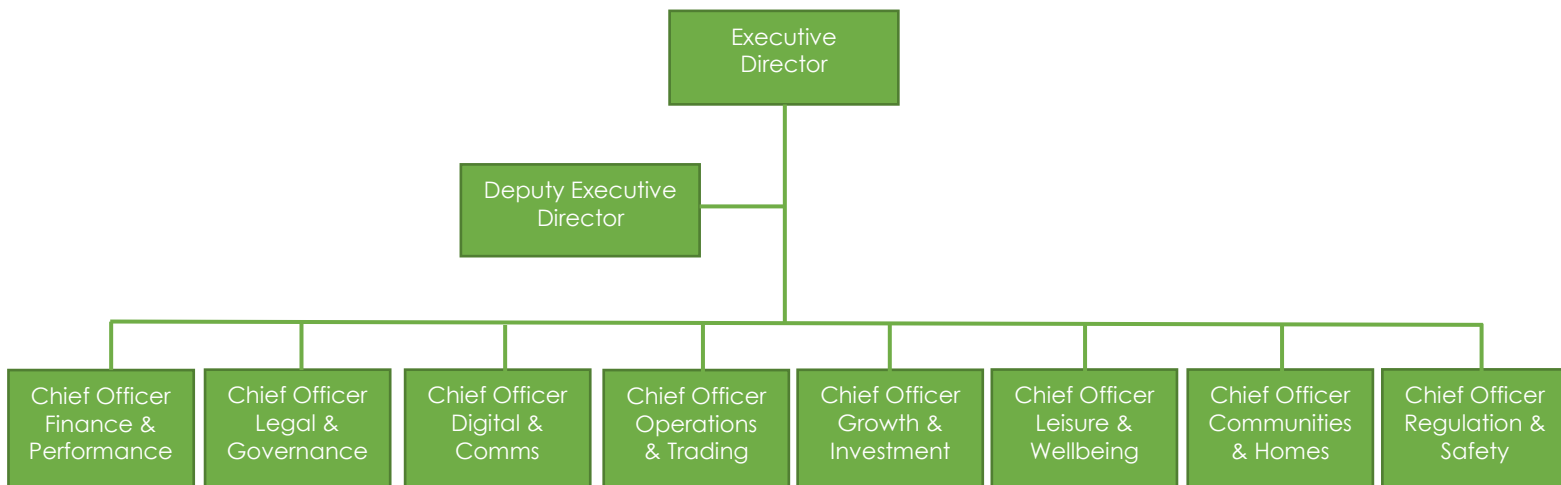
Political Structure in the 2022/23 Municipal Year

The borough of Rugby has 16 wards, and the Council consists of 42 Members and is a Conservative controlled authority. Borough elections were held on 6 May 2022.

	2021/22	Change	2022/23
Conservative Group	25	(2)	23
Labour Group	8	2	10
Liberal Democrat Group	9	-	9
Independents	0	-	0

Management Structure

Supporting the work of Councillors is the organisational structure of the Council headed by the Leadership Team, led by Executive Director Mannie Ketley and Deputy Executive Director Dan Green as below.



Governance

The Annual Governance Statement, which accompanies these financial statements, sets out our governance framework and an assessment of our effectiveness. The statement was prepared by the Corporate Assurance Manager & Transformation Lead and concludes that the overall governance framework continues to provide a Substantial level of assurance of effectiveness.

Further enhancements were made to our governance arrangements during 2022/23 including:

- A new Code of Local Governance – the Internal Constitution - has been approved and is being implemented. This complements the Constitution and will help to improve Officers’ understanding of delegated decision making and increase awareness of and compliance with policies and procedures.
- An independent external review of the Council’s arrangements for managing fraud, bribery and corruption has been completed and provided a Substantial level of assurance. An updated Strategy and Response Plan has been prepared and is set to be approved by the Audit & Ethics Committee in June 2023.
- The Council has adopted and implemented a new Member & Officer Protocol during the year. This is part of the journey of transformation and change in culture. The new protocol establishes key pillars in how members and officers can work together effectively.
- During summer 2022 and with external support, the Leadership Team developed a new suite of KPIs, key statistics and performance measures which went live during Quarter 2. The measures were then presented to Cabinet as part of the Finance & Performance report for Quarter 3. In addition the Council has subscribed to CFO Insights which enables the Council to compare its performance across a whole range of areas to other Local Authorities.

We are committed to ensuring continuous improvement in our governance year-on-year and an action plan has been developed for 2023/24; this includes:

- Development and implementation of a new Anti-Fraud, Bribery and Corruption Action Plan.
- Implementation of the Action Plan arising from the internal audit review of Data Protection and Records Management.
- Completion of the planned work to further embed the performance management methodology across the Council. The next evolution, which is currently being progressed, is to establish a powerBI dashboard, which will make information more accessible and easier to understand and interpret.

Corporate Strategy 2021-24

The corporate strategy will drive the Council’s ongoing transformation programme, the outcomes described within the proposed corporate strategy correlate to the four pillars of recovery:



The strapline for the Council, “Right for Rugby”, recognises that, irrespective of the challenges we face, the Council’s commitment is to do the right thing for the residents, businesses, and communities of our Borough.

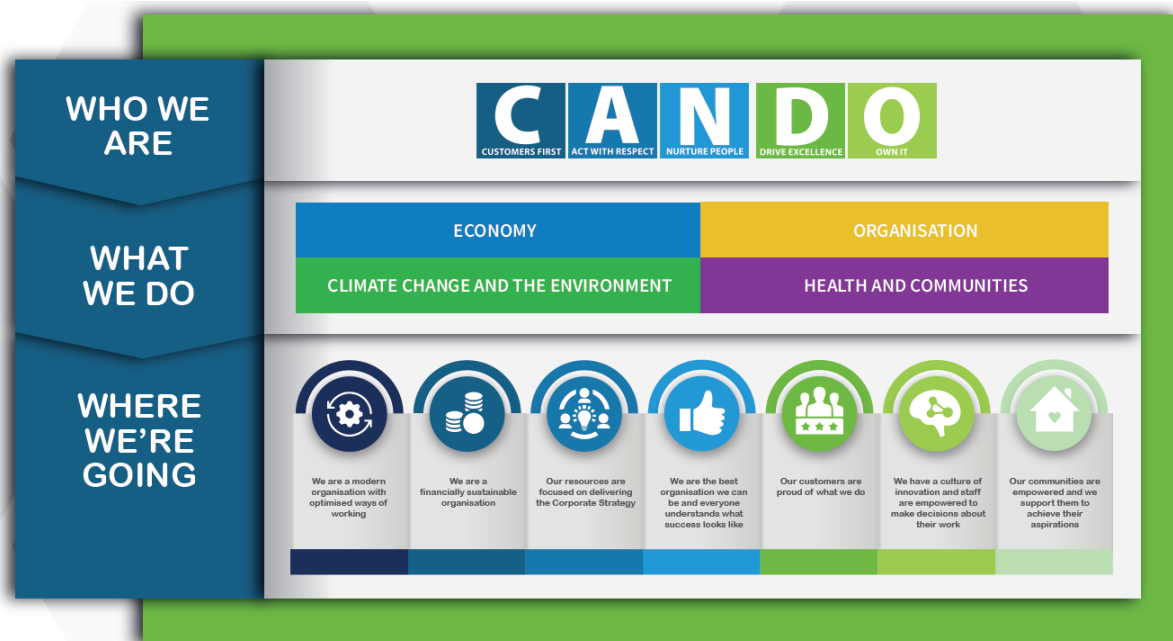
The strategy is focussed on the delivery of four overarching outcomes – those being:

- Rugby is an environmentally sustainable place, where stakeholders work together to reduce and mitigate the effects of climate change
- Rugby has a diverse and resilient economy, which benefits all residents
- Residents are able to live healthy, independent lives, with the most vulnerable protected
- Rugby Borough Council is a responsible, effective and efficient organisation

Within each outcome, the strategy describes key commitments which will guide delivery. These commitments are not exhaustive and may be altered or added to as the various agendas progress.

2022/23 has been a year in which this Council has continued to deliver against the strategy outcomes. Through an ambitious programme of transformation, we have been able to evolve our ways of working, deliver financial efficiencies and improve outcomes for customers. As we further progress this transformation programme, these successes will provide the foundations for our future projects and initiatives.

To complement the Corporate Strategy, the Rugby Blueprint has been produced to support the evolution of our culture, provide a framework for how we will become the best we can be, and to encourage innovation and empowered decision-making at all levels. That includes our communities: we want to work with them as equal partners to achieve their aspirations and collectively shape our borough and enhance local pride.



We will become more agile, make best use of technology to optimise our ways of working and improve our processes, while delivering high quality services to our residents.

We recognise the importance of effective working between Councillors and officers and will strengthen that relationship to support robust decision-making and to provide effective community leadership. We will become more commercially focused, maximising income to help to protect our services and deliver financial sustainability.

Alongside this, we will ensure we remain as efficient as we can be, and that best value is achieved wherever we spend public funds.

The Council's 'CAN DO' values remain at the heart of all we do. They represent who we are, and they will be an important part of our HR and Workforce Strategies.

Overall, our vision for the borough is clear – we want to address the climate emergency, support a thriving economy and ensure healthy communities. This vision will be delivered by an ambitious Council comprising employees and councillors acting as one team to do what is Right for Rugby.

Through the publication of our annual report in July 2023, the council will provide details of some of our work from the last 12 months, highlighting some of our key achievements. As always, our essential services remain at the heart of what we do and this has been achieved through the ongoing commitment of colleagues within the Council. A summary of the successes can be seen in the table below;

 <p>Climate</p> <ul style="list-style-type: none"> • We are now a Carbon Literate Organisation, having achieved Bronze Award in 2022. • We have enhanced the Parks Connector with aims to improve access to open spaces and provide a series of green travel corridors to promote walking and cycling. • We engaged with local business both to better understand their needs in terms of addressing Climate Change. • With our partner, EON improved the thermal efficiency of 95 private sector homes with wall insulation and loft insulation. • Adopted a new Climate Change and Sustainable Design and Construction Supplementary Planning Document (SPD). • We retained the Gold award at Heart of England in Bloom for 14th year running. • Earmarked a HRA Housing Climate Change reserve of £1M, as match funding, to support our recent successful £1.1M bid to the national Social Housing Decarbonisation Fund. As a result 110 households will benefit from external wall insulation 	 <p>Economy</p> <ul style="list-style-type: none"> • Provide funding the Coventry and Warwickshire Growth Hub, to provide help and support to medium to large businesses in Rugby and across the region. • We have secured £3million pounds over 3 years of UK Shared Prosperity Fund (UKSPF). In year 1 the Council has committed £314,680 to projects in the town centre • Delivered planning permission for over 100 hectares of employment land and worked with the owners of our strategic allocated employment sites to ensure that they are built out and provide jobs and opportunities for residents.. • On South West Rugby the first phase of housing for 210 dwellings and a primary school has been granted planning permission and The Homestead Link Road application has been submitted which will provide the highway infrastructure required to allow the south west allocation to be delivered. • We continue to work with the Chamber of Commerce to deliver targeted initiatives for businesses. A three year programme has delivered a growth accelerator for businesses assisting 253 businesses and generating £468K of GDV. • There has been a new intake of apprentices across multiple Council services, working in partnership with Warwickshire College. 	 <p>Health and Communities</p> <ul style="list-style-type: none"> • The Rugby Lotto generated £31,000 income for local voluntary and community groups and good causes during 2022/23. • The work of the PHIL (Preventing Homelessness Improving Lives) project has successfully been integrated into the business-as-usual work of the Housing Advice and Benefits Team. • The councils Queen's Diamond Jubilee Centre operated by GLL saw an average of 65,000 visits per month • We have secured £6.8m of Homes England funding for new affordable homes at Biart Place. Along with a further £2M from the Local Enterprise Partnership. • The exhibitions at the Art Gallery and Museum included the New Cross Fire exhibition, working directly with the survivors of the tragedy remains a focal point of the fight for racial justice in Britain. • We have proactively addressed fly tipping with Community Wardens patrols, deployment of CCTV and working with partners such as Warwickshire Police. • 26,434 children and young people have benefited from the programme at Rugby Art Gallery and Museum 	 <p>Organisation</p> <ul style="list-style-type: none"> • delivered the first phase of our new Housing Management System. As well as being more efficient as all customer information is readily accessible within one system, tenants can now carry out tasks such as checking their rent accounts online. • Collected 98% of council tax through the energy crisis and cost of living crisis. • Our Internal Constitution has strengthened our internal governance and provides an overview of key areas and how officers and the organisation as a whole operate. • Winning the Royal Town Planning Institute Award for Planning Excellence in Heritage & Culture for Houlton Secondary School. • Transformation projects have realised a cashable benefit of £0.286m in 2022/23 and a further £0.463m from April 2023. This includes procurement savings and ensuring that fees are set at levels which cover the costs of running services. • We paid the Council Tax Energy Rebate to over 36,000 households totalling over £5.4m in value, on time and with no extra resource. • We paid the Council Tax Energy Rebate to over 36,000 households totalling over £5.4m in value, on time and with no extra resource. • We have relaunched our tenant involvement offer to actively encourage our tenants to get involved with shaping the delivery their housing services.
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In addition to the above, the Council also has five Commercialisation Pillars, developed in conjunction with the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2022/23, which provide a baseline to work towards. This baseline supports officers to have active challenge and ensure projects are undertaken with the best interests of the Council in mind. The five pillars are as follows:



Commitment/deliverability

Ensuring that Rugby has secured appropriate financial commitments; that there is a clear focus on value for money; that the risk profile of the initiative/project is acceptable to Rugby.



Value for resource

Linked to commitment. Ensuring that Rugby has the required resources (internal/external/voluntary) and that resources are prioritised. Ensuring that there is balance between risk and reward to encourage innovation.



Innovation

"Encouraging our staff to be innovative". Creating an environment and the support network for staff to generate and realise new possibilities and ways of doing things.



Reward and return

Striking the right balance to ensure that we maximise the Councils USP as a key enabler for further change. To ensure that we cascade *reward and return* to our communities and the people/business we serve.

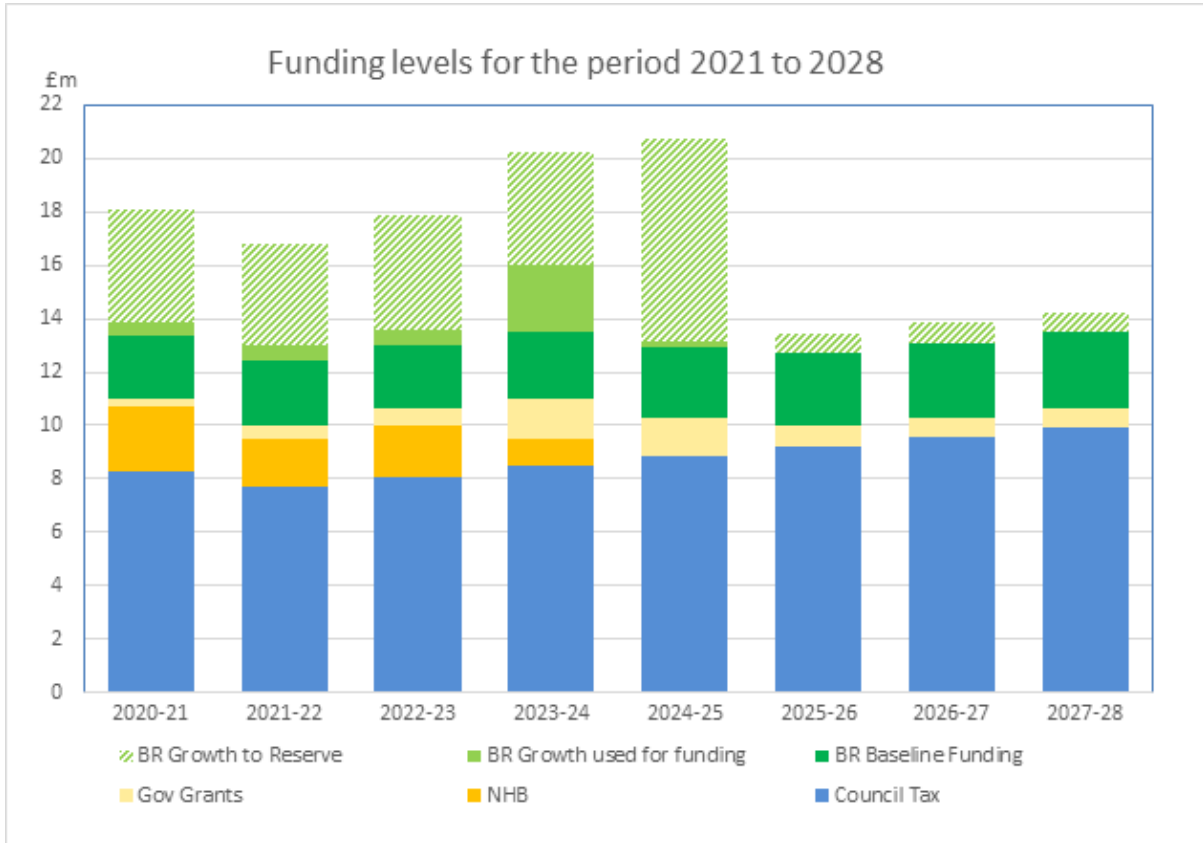


Aspiration and inspiration

Ensuring that we aspire and inspire the organisation to do the right things and that we create the right opportunities. Deliver the corporate priorities to get the best value, outcomes and services for our residents and businesses.

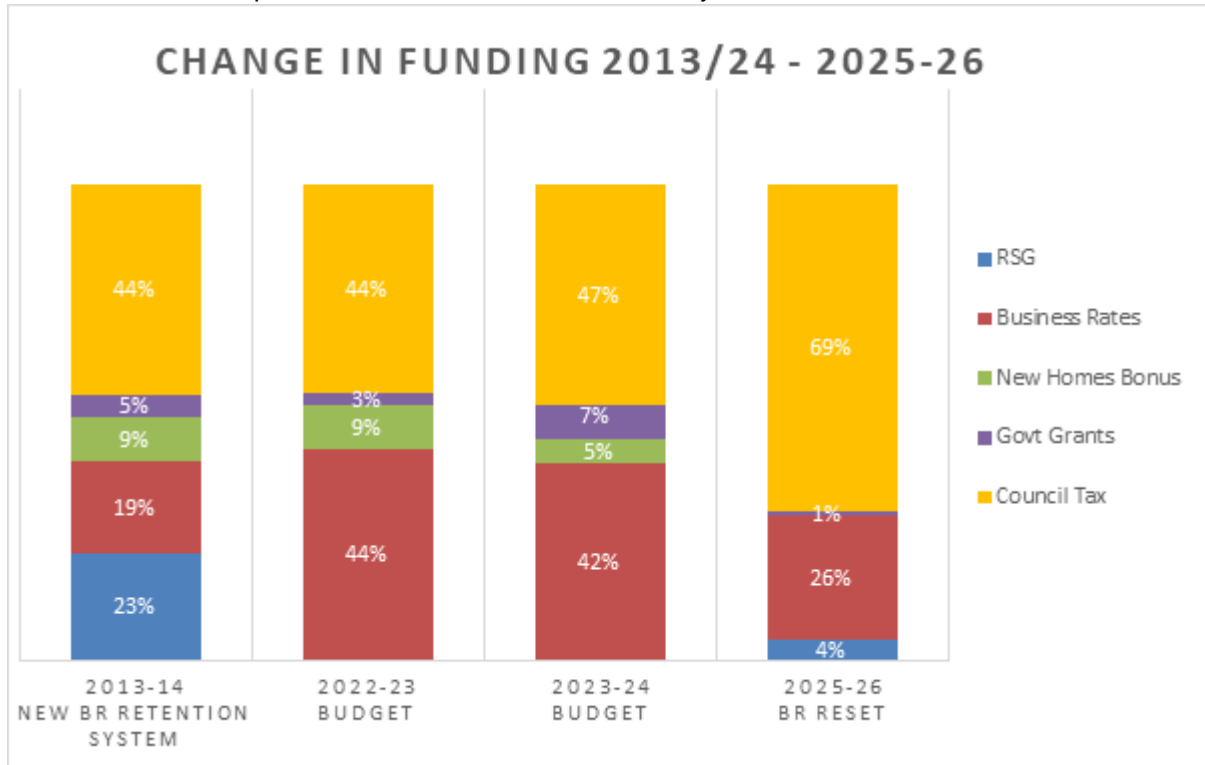
Financial Overview 2022/23

The sources of funding for the Council since 2020/21 are detailed in the table below. Largely it comes from two sources, Council Tax and business rates. Council tax income remains relatively consistent throughout the period at the level between £8 to £10m. The annual increases derive from a combination of inflationary increases (capped at the greater of 2% or £5 for 2022/23) and growth of the tax base which relates to the increase in households in the borough.



Under the scheme that was established in 2013/14, the Council retains any growth in business rates over its baseline value which is £2.414m in 2022/23. As a high growth borough this has been a significant advantage to Rugby with a contribution to the reserve of (£4.416m) in 2022/23 which was made up of a budgeted contributed of (£2.633m) plus the 2022/23 surplus on the collection fund of (£1.783m). Under plans announced by Government in 2017 the baseline level of business rates is expected to be reset which could mean that the benefit of all the growth gained since 2013/14 is lost. The table below demonstrates that as well as receiving a significant reduction in income as a result of the reset, the % of council funding received from business rates has increased from 19% - 35%. In 2013/14 Council tax equated to around 44% of the funding

of the council, it is expected that this will increase to 69% by the time we reach 2025/26.



Medium Term Financial Strategy

The existing Medium Term Financial Strategy (MTFS) ran for the period 1 April 2018 - 31 March 2023 and 22 February 2023 the new MTFS was approved by Council which runs for the period 1 April 2023 – 31 March 2027. The document aligns with the Corporate Strategy and there are a number of core principles that also underline the Medium-Term Financial Strategy (MTFS):

- Set robust, comprehensive and achievable budgets, exploring all avenues of income to meet our financial targets.
- Undertake commercial activities in the open market, where it is sustainable and responsible to do so.
- Maintain robust systems of governance that ensure fairness, accountability, and transparency.
- Treat taxpayers' money with respect and ensure that our high-quality services demonstrate value for money.

This MTFS is also supported by a strong framework of financial policies and strategy documents that include:

- Capital Strategy
- Treasury Management Strategy
- Local Plan 2011-2031
- Asset Management Strategy
- Procurement Strategy
- Housing Strategy
- Risk Management Strategy

The MTFS will now be a rolling 3-year document which will be updated as part of the annual budget setting process. This allows the organisation to be adaptable in a period of uncertainty around key Government funding decisions, but is also a more effective planning tool.

Housing Revenue Account (HRA) Rents

Housing Rents were set by Council on 8 February 2022. Council agreed to a rent uplift of 4.1% (CPI + 1%) for 2022/23 in line with government guidance on Social Rent policy for the period 2020/21 to 2024/25.

Council Tax

At the end of March 2023, the Council tax base was 0.83% above the approved budget and as a result the Collection Fund is in surplus at year end of £0.629m.

Business Rates

During 2022/23 the actual business rates billed and accounted for was higher than the budgeted amount. As a result, there is a overall outturn surplus on the Collection Fund of (£1.783m) at the end of 2022/23.

General Fund

The budget for 2022/23 was approved on 22 February 2022. This included portfolio related spend of £16.145m which is an increase of £0.335m from the 2021/22 financial year. Portfolio related spend includes the costs and fees and charges relating to the services that we provide.

The budget for the year included growth to mitigate against service pressures and inflation of £0.421m, savings and income of £0.293m and key decisions of £9.289m. After taking into consideration corporate items such as Minimum Revenue Provision and planned contributions to reserves the total budget for the General fund was £20.880m.

Included within the budget was income from Council Tax of (£9.126m) and business rates of (£7.412m), of which (£2.634m) is contributed to the business rates equalisation reserve to mitigate against the impact of the business rates reset expected on the 1 April 2023. In addition to the (£1.500m) of the business rates income above the baseline was used to increase the Transformation and Climate Change reserves in order to boost the pipeline projects in these areas.

As reported to Cabinet on 26 June, the 2022/23 total Portfolio expenditure was £18.077m against a revised budget of £15.980m, resulting in a pressure of £2.097m.

After adjusting for net cost of borrowing, the Minimum Revenue Provision for the repayment of debt and other corporate items, the net saving on Revenue expenditure is (£0.496m).

Portfolio expenditure

The year-end position on portfolio net expenditure is set out in the following table.

Portfolio	Revised Budget £000	2022/23 Spend £000	Carry forward and Reserves £000	Revised Actual £000	Net Variance £000
Communities, Homes, Digital and Communications	2,306	2,592	0	2,562	256
Finance, Performance, Legal and Governance	3,062	3,392	0	3,392	331
Growth and Investment	1,560	1,708	38	1,746	186
Leisure and Wellbeing	3,597	3,913	52	3,965	368
Operation and Traded Services	4,328	4,920	0	4,920	592
Regulation and Safety	1,206	1,281	0	1,281	75
Executive Director	0	142	0	142	142
Change and Transformation	(79)	69	0	69	148
Net Portfolio Expenditure	15,980	17,987	90	18,077	2,097
Corporate Items	966	(1,481)	78	(1,403)	(2,369)
Total Net Revenue Expenditure	16,946	16,506	168	16,674	(272)
Financing and reserves	3,934	3,878	(168)	3,710	(224)
Total Outturn	20,880	20,384	0	20,384	(496)

This year has seen a large number of vacancies within services across all portfolios. With the move to a more agile way of working, this has meant more job opportunities have become available and Rugby Borough Council is now competing with a much wider range of recruiters. During 2022/23, we have seen a (£1.499m) saving on salaries which has been offset by an overspend on Agency of £1.215m. As at 31 March 2023, 56.04 full time equivalent posts are still vacant which equates to 13% of the budgeted establishment. Due to the large number of vacancies, recruitment expenses have risen to a total of £0.122m (a budget pressure of £0.075m) following the use of innovation such as microsites to promote Rugby Borough Council as a place to work on top of targeted recruitment using partners such as WM Employers. In addition to this, jobs have had to be re-advertised on multiple occasions following the unsuccessful campaigns.

Corporate Items, Income and Reserve Transfers

Corporate Items, Income and Reserve Transfers

After taking into account both the portfolio pressures and the Corporate Savings the Council had an overall total saving of (£2.369m). However, this included pre-approved mitigation to support portfolio pressures;

1. (£0.772m) – COVID recovery fund to support the legacy impact of increased costs or reduced income
2. (£0.500m) –Corporate Inflation Budget, held centrally to mitigate the impact of inflation increases in 2022/23.
3. (£0.250m) –To help fund improvements to the security of the Town Hall and COVID-19 related adaptations that are required due to the return to the workplace.

There is a saving of (£0.738m) Net Cost of Borrowing (NCoB) due to delays in the delivery of the capital programme and reviewing the funding of the schemes in the programme.

The sources of income from which the net revenue expenditure was financed, are set out in the following table to give the final net budget position for the year.

	Revised Budget £000	Actual £000	Variance £000
Total Net Revenue Expenditure	16,946	16,507	(440)
Retained Business Rates	(9,263)	(11,048)	(1,784)
Council Tax	(9,127)	(9,127)	0
New Homes Bonus Grant	(1,934)	(1,934)	0
Other Grants	(556)	(875)	(319)
Total Corporate Income	(20,880)	(22,983)	(2,104)
Carry forward from 2021/22	(1,182)	(1,182)	0
Carry forward to 2022/23	0	168	168
Contribution to Earmarked Reserves	1,354	1,451	97
Contribution to/from Budget Stability Reserve	(193)	(193)	0
Contribution to/from Business Rates Equalisation Reserve	3,954	5,737	1,783
Total Transfers to/from Corporate Reserves and Balances	3,933	5,981	2,048
Net position	0	(496)	(496)

Reserves Balances and Future Strategy

Reserves are kept under scrutiny to ensure that balances are appropriate but also identify where there could be future challenges.

Plans show that over the medium term the Council is achieving levels of reserves and a general fund balance which continues to meet the risks identified in the financial planning environment. The contributions made to reserves in the past have enabled the Council to establish a level of reserves which;

- recognise the risks of service needs increasing in response to demographic growth or wider economic pressures
- recognise the potential loss of funding from forthcoming changes
- allow for emergency situations and legal challenges which the Council may face

The risk assessment completed for reserve usage identifies that the known risks are mitigated with the current balances of reserves. However analysis takes place on a quarterly basis to assess this.

Below is a summary of the reserve usage during 2022/23

Name of Reserve / Balance	Balance 1 April 2022 £000	Actual Contributions (To)/From £000	Balance 31 March 2023 £000
Earmarked Reserves	(5,074)	1,249	(3,825)
Corporate Reserves			
General Fund Balances	(2,250)	0	(2,250)
Business Rates Equalisation	(11,304)	(5,737)	(17,041)
Budget Stability	(3,064)	193	(2,871)
Climate Change	(500)	(500)	(1,000)
Transformation reserve	(400)	(948)	(1,348)
Subtotal Corporate Reserves	(17,518)	(6,992)	(24,510)
Grand Total	(22,592)	(5,743)	(28,335)

Earmarked reserves

Relates to a combination of a number of balances with mostly with lower balances than the ones identified separately

Corporate Reserves

A reserves risk assessment is completed for the main corporate reserves set aside to respond to and manage financial risks in the medium term.

The Corporate and General Fund Reserves considered in this analysis are the General Fund balances, the Budget Stability Reserve, the Business Rates Equalisation Reserve, Climate Emergency Reserve and the Transformation Reserve.

Further information on reserves can be found in note 34 of the statements.

Inflation risk

The ongoing impact of inflation could have a significant impact on the risk assessment, at the time of producing the 2023/24 budget, the national CPI figure was at 10.1% and although there was an expectation that this would stabilise, scale and speed of this was unknown.

To recognise the risk, built into 2023/24 budget is an inflation contingency of £0.330m which will be held centrally for any inflation costs in addition to what has been provided for. For subsequent years, £0.156m has been identified within the reserve risk assessment each year for increased gas and electricity costs in order to demonstrate the impact this could have on the general fund.

Collection Fund

Council Tax

The amount accounted for within the General Fund in 2022/23 is fixed to the budgeted amount of council tax billed during the year, not the actual cash collected. Any difference between the actual amount collected and the initial forecast will generate a surplus or deficit on the Collection Fund, to be met from or credited to future years' budgets.

For 2022/23 the actual cash position for council tax was an overall surplus of (£0.629m). This will be distributed between ourselves, Warwickshire County Council and The Office of the Police and Crime Commissioner for Warwickshire in the relevant shares, as detailed in the Collection Fund Statement Note 3. Our share of the surplus is (£0.069m) and this will be allocated to the General Fund in 2023/24.

Business Rates

The Council sets its business rates income budget on 31 January each year and it was anticipated that the Council would generate (£52.201m) net business rates income during 2022/23 with Rugby Borough Council retaining (£7.412m).

The outturn position is shown below.

	2022/23 Budget £000	2022/23 Outturn £000	Variance £000
Business Rates Income			
RBC share of BR Income @ 40% (as per the NNDR1 forecast)	(20,880)	(20,880)	0
Less Tariff	13,272	13,272	0
Gross Amount Retained	(7,608)	(7,608)	0
Section 31 Grants	(3,136)	(3,899)	(763)
Levy Payment	3,772	3,714	(58)
Net Retained Income	(6,972)	(7,793)	(821)
Coventry & Warks' BR Pool Income	(360)	(1,243)	(883)
Retained Disregarded Amounts	(80)	(126)	(46)
Business Rates Income	(7,412)	(9,162)	(1,750)
Year-end reconciliation adjustments	-	(33)	(33)
Total Business Rates Income	(7,412)	(9,195)	(1,783)

The 2022/23 budget surplus of (£1.783m) is due to:

- In accordance with legislation, the business rates income recorded in the General Fund is fixed to the statutory NNDR1 estimate, no matter how much business rates are actually billed or received.
- Due to the accounting requirements associated with grants income, the COVID-19 Additional Relief Fund relief (CARF) that has been fully funded by section 31 grants and received in 2021-22 has now realised
- The Council is a member of the Coventry & Warwickshire Business Rates Pool (the Pool). The pooling gain in 2022/23 was (£1.243m) which was higher than the budgeted amount of (£0.360m), due to the risk-based approach taken at budget setting.

The surplus has been transferred from the General Fund to the Business Rates Equalisation Reserve (BRER) to offset the actual cash variance on the Collection Fund that will be charged to the General Fund budget in 2023/24.

At year end there was an overall Collection Fund deficit of £2.280m. This arose because reduction in gross business rates due to temporary closure of the large business, slower than expected new business growth and increased level of reliefs that reduced net business rates payable.

The deficit will be distributed between ourselves, Warwickshire County Council and Central Government in the relevant shares, as detailed in the Collection Fund Statement Note 3. The Council's share of the deficit is £0.912m and this will be charged to the General Fund in 2023/24.

Housing Revenue Account (HRA)

The year-end position for 2022/23 on the HRA is per the table below.

	Revised Budget £000	Actual £000	Variance £000
Expenditure	12,801	13,730	929
Income	(17,296)	(17,230)	66
Net cost of HRA Services	(4,495)	(3,500)	995
Contributions to (+) / from (-) reserves	4,495	3,500	(995)
Surplus (-) / Deficit for year	0	0	0

The pressure on expenditure mainly relates to a 45% increase in the number of void properties that have required extensive repairs and increased utility costs.

Reserve Transfers and Balances

The level of the HRA Revenue balances was re-assessed a number of years ago considering potential risks arising from the Council's capacity to manage in-year budget pressures and the wider reform and regulatory environment.

In summary, there was an in-year movement of (£4.401m) on HRA reserves and the overall balance held as at 31 March 2023 is (£27,916m) as follows;

Name of Reserve / Balance	Balance 1 April 2022 £000	Actual Contributions (To)/From £000	Balance 31 March 2023 £000
HRA Revenue Balances	(4,294)	209	(4,085)
HRA Capital Investment Balances	(15,014)	(2,422)	(17,436)
HRA Major Repairs Reserve	(3,805)	(1,256)	(5,061)
Housing Repairs Account	(93)	93	0
Sheltered Housing Rent Reserve	(309)	(49)	(358)
HRA Climate Change Reserve	0	(976)	(976)
Net cost of HRA Services	(23,515)	(4,401)	(27,916)

Capital

Capital expenditure is defined as expenditure on the purchase, improvement or enhancement of assets, the benefit of which impacts for longer than the year in which the expenditure is incurred. Capital expenditure for the year was £11.436m. The expenditure analysed by portfolio was:

Portfolio	Revised Budget	Actual	Year-end reprofiling	Variance
	£000s	£000s	£000s	£000s
Communities, Homes, Digital and Communications	2,419	1,366	828	(225)
Finance, Performance and Governance	52	23	29	0
Growth & Investment	346	124	191	(31)
Leisure and Wellbeing	2,092	1,033	1,093	34
Operation and Traded Services	6,248	3,094	3,145	(9)
Regulation and Safety	531	83	286	(162)
Total General Fund	11,688	5,723	5,572	(393)
HRA	45,719	5,713	38,106	(1,900)
Total	57,407	11,436	43,678	(2,293)

Capital Receipts and Capital Grants

At 31 March 2023, the Council also held (£17.506m) of capital receipts HRA: (£12.767m) General Fund: (£4.739m) and (£0.022m) capital grants and contributions that had not yet been applied for financing expenditure. In 2022/23, (£2.825m) of receipts (net of pooling payments) were raised from the sale of 25 HRA properties under Right-to-Buy.

Current Borrowing and Capital Resources

All of the borrowing disclosed in the balance sheet relates to the financing of capital expenditure incurred in 2022/23, earlier years, and for future years. The total currently stands at £83.3m (both short and long-term borrowing) as shown on the balance sheet.

Pension Fund

The Council's pension fund assets at 31 March 2023 are £6.5m, a decrease of £47.0m on the liability reported at 31 March 2022. One of the major reasons behind the change is the increase in the discount rate used in the assessment of future liabilities, the increase in the value of investments, and an assumed reduction in life expectancy.

The Council took the opportunity to make an early payment of £7.990m in respect of its employer pension contributions in April 2020, for the three-year period to March 2023. The discount offered by Warwickshire Pension Fund was greater than the return that could be generated through investing the resources.

Future Financial Outlook and Financial Resilience

Future Funding

The Council faces a number of funding challenges, the most significant being:

- The loss of all existing growth due to the Business Rates Reset. The reset of the system could redistribute the business rates growth generated since 2013/14, the point at which the retained rates system was introduced.
- The outcome of the Fair Funding Review which could result in a reduction in our assessed funding need.
- The impending end of the New Homes Bonus scheme.
- The impact of rising inflation.

It was confirmed in the Local Government Finance Settlement (LGFS) that there would be no baseline reset in 2022/23 (initially planned for 2019/20) and is unlikely to take place for two years. This means the Business Rates Retention Scheme effectively rolls forward unchanged until 2025/26. This provides some confidence that a continued benefit of retained growth of above the baseline will be available to be transferred into the Business Rates Equalisation Reserve.

As a high growth borough, being able to maintain another two years business rates growth is significant. The Medium-Term Financial Strategy adopted a continuation policy to transfer any above sustainable baseline growth to the business rates equalisation reserve. Not only does this provide more resilience from the expected cliff edge reduction when the reset takes place, it also provides resources to potentially implement one off plans to implement the Corporate Strategy Delivery Plan.

However, this uncertainty makes financial planning for future years extremely challenging, as even the smallest of changes to one of the many variables can result in very different outcomes.

2023/24 budget

The 2023/24 General Fund revenue balanced budget was delivered and approved on 22 February 2023 and totalled a net £20.636m. This is a decrease of £0.244m from 2022/23. Portfolio service expenditure increased by £2.536m from £16.145m to £18.501m. Significant expenditure items include £2.790m in relation to inflation and salary adjustments and service growth of £0.758m. To offset this, income and savings of £3.751m have been identified and through the completion of savings delivery plans the delivery will be RAG rated and through post-delivery reviews the impact of the items will be analysed by the Leadership Team.

In relation to the funding of the Council, significant items include.

£1.075m - 3% Funding Guarantee. This new feature ensures every authority has a 3% increase in government funding (this essentially measures the change in Core Spending Power excluding Band D). It will be funded from "a proportion of" NHB legacy payments and the current Lower Tier Services Grant.

£0.987m - New Homes Bonus (NHB) will continue in 2023/24 and will be paid on the same basis as in 2022/23. The legacy payments, which will end in 2022/23, will be used to fund the new 3% funding guarantee. NHB's future in 2024/25 is unclear: ministers have promised to issue a new consultation before the 2024/25 settlement.

£0.404m - a 2.99% increase in the Band D equivalent council tax, which is in line with the maximum permitted

Medium Term Financial Plan

The 2023-27 Medium Term Financial Plan (MTFP) presented to Council at council tax determination on 22 February 2023 is illustrated in the table below;

	2023/24 £000s	2024/25 £000s	2025/26 £000s	2026/27 £000s
Base Budget	20,682	20,636	23,377	17,473
Growth Requirements	3,548	702	712	150
Other Corporate Adjustments	272	282	184	(17)
Savings and Income	(3,751)	(85)	(295)	0
Financial Management Adjustments	(115)	1,842	(6,505)	79
Revised Budget Requirement	20,636	23,377	17,473	17,685
Financed by;				
Government Funding	(2,463)	(1,324)	(249)	(224)
Council Tax	(9,530)	(9,812)	(10,300)	(10,696)
Collection Fund Surplus/Deficit CT	(70)	0	0	0
Business Rates including Damping	(8,573)	(10,483)	(3,480)	(3,557)
Total Funding Requirement	(20,636)	(21,619)	(14,029)	(14,477)
Savings/transformation required	0	1,758	3,444	3,208
Reported Feb 2022 (+=Deficit)	3,200	0	65	65
Diff	(3,200)	(1,758)	(3,509)	(3,273)

The shortfall of £1.658m in 2024/25 reflects the estimated significant items

- £0.987m reduction in the New Homes Bonus Grant as it is assumed the scheme will come to an end during 2023/24
- £0.452m increase in staffing costs due to increments and pay inflation
- £0.250m general inflation for goods and services

The significant risks remain on future baseline funding levels and any retention of growth. However, this will continue to be reviewed and updated as further information is made available. The assumptions across the medium term include;

- SFA income across the MTFP is assumed to remain at an estimated level of (£2.900m) on reset from 2023/24. The Review of Relative Needs and Resources will be focussing on this area of funding for all authorities which presents a risk to the Council if the assessment of needs is reduced.
- Following the reset, it is assumed that there will be a significant reduction in the proportion of growth that the authority retains. With total growth dropping from (£5.837m) in 2023/24 to (£0.734m) in 2025/26.
- The Council continues to contribute to the BRER with business rates growth above the sustainable baseline.

Addressing the budget gaps

Whilst the Council cannot predict the outcome of both the fair funding and business rates baseline review, we are preparing for a significant reduction in business rates funding moving forward. The MTFP 2023/24 has highlighted the future risks to funding with Officers formulating budgetary plans to address all potential scenarios.

In addition, the existing MTFS sets out a suite of financial policies to provide a framework that will guide our financial planning and decision making throughout the life of the strategy, these assumptions will be updated as part of the update of the document for the 2023/24 financial year.

Financial Resilience Conclusion

A balanced draft General Fund revenue budget has been presented for 2023/24. However, due to the current challenging financial environment further savings and transformation still need to be identified in order to deliver a balanced budget across the medium term. The high level of uncertainty around retained business rates and the reset of the system presents a considerable risk to our finances from 2023/24 onwards. With the introduction of a new MTFS, we have set out how we are going to proactively tackle the challenges facing not just Rugby, but the sector as a whole.

For the HRA, the regeneration of both Biart Place and Rounds Gardens sites will fundamentally impact on the scale of the resources available across the medium to long term.

Financial Statements

The Accounts set out our income and expenditure for the year and our financial position at 31 March 2023. It is comprised of core and supplementary statements, together with disclosure notes. The format and content of the Financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which in turn is underpinned by International Financial Reporting Standards; A Glossary of key terms can be found at the end of this publication.

The Primary Financial statements

The Comprehensive Income and Expenditure Statement (CIES) records all of our income and expenditure for the year, in accordance with generally accepted accounting practices (GAAP). The top half of the statement provides an analysis by portfolio, in-line with our organisational structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

- services and activities that the Council are required to carry out by law (statutory duties) such as street cleaning and planning; and,
- discretionary expenditure focussed on local priorities and needs, such as leisure and culture.

A Movement in Reserves Statement (MiRS) is a summary of the changes to our reserves over the course of the year. Reserves are divided into “useable”, which can be invested in capital projects or service improvements, and “unusable” which must be set aside for specific purposes.

The Balance Sheet statement is a “snapshot” of our assets, liabilities, cash balances and reserves at the year-end date.

The Cash Flow Statement shows the reason for changes in our cash balances during the year and whether that change is due to operating activities, new investment, or financing activities (such as repayment of borrowing and other long-term liabilities).

Notes to support the primary statements

The other notes are presented after the core statements and provide more detail about the Council’s accounting policies and individual transactions.

Supplementary Statements

The Housing Revenue Account (HRA) reflects the statutory obligation to maintain a revenue account for local authority housing provision. It includes the debit and credit items required to be taken into account in determining the surplus or deficit on the HRA for the year. The HRA is incorporated into the Comprehensive Income and Expenditure Statement

The Collection Fund Statement includes transactions relating to council tax and business rates income. Rugby Borough Council is responsible for collecting local taxes on behalf of Warwickshire County Council, Office of the Police and Crime Commissioner for Warwickshire, Parish Councils and the Borough Council itself, these are all accounted for within the Collection Fund.

The Annual Governance Statement

The Annual Governance Statement sets out the governance structure of the Council and its key internal controls.

Further Information

If you would like to receive further information about the Accounts, please contact the Financial Services Team.

Email: contactcentre@rugby.gov.uk

Telephone: [\(01788\) 533533](tel:01788533533)

Address: Town Hall, Evreux Way, Rugby, CV21 2RR.

Statement of Responsibilities

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility of those affairs. In Rugby Borough Council, this is the Chief Officer – Finance and Performance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts.

Responsibilities of the Chief Officer – Finance and Performance

The Chief Officer – Finance and Performance, as the designated Section 151 Officer for the Council, is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Officer – Finance and Performance has:

- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the Code of Practice.
- kept proper accounting records which were up to date; and
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate of the Chief Officer – Finance and Performance

I certify that this Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the Council at 31 March 2022 and its expenditure and income for the year then ended.

Jon Illingworth
Chief Officer – Finance and Performance
 Date:

Approval of Statement of Accounts

In accordance with the Accounts and Audit Regulations 2015 I certify that the Statement of Accounts was approved by the Audit and Ethics Committee on XX September 2023

Paul Dudfield
Chairman of the Audit and Ethics Committee
 Date:

The Primary Financial Statements

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (or rents). Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the expenditure and funding analysis and the Movement in Reserves Statement.

2021/22 restated				Note	2022/23		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
18,578	(15,568)	3,010	Communities and Homes		18,759	(15,245)	3,514
734	(558)	176	Digital and Communications		306	(146)	160
732	(123)	609	Executive Director's Office		483	(81)	401
1,515	(422)	1,093	Finance and Performance		7,329	(6,030)	1,298
3,191	(1,778)	1,413	Growth and Investment		3,434	(1,646)	1,788
18,870	(16,522)	2,348	Housing Revenue Account		17,531	(17,128)	403
2,338	(247)	2,091	Legal and Governance		2,467	(47)	2,420
5,726	(2,000)	3,726	Leisure and Wellbeing		6,485	(1,745)	4,740
7,845	(3,203)	4,642	Operations and Traded		8,430	(2,941)	5,488
3,323	(1,822)	1,501	Regulation and Safety		3,708	(2,015)	1,694
8,528	(76)	8,452	Corporate Items		9	(75)	(64)
71,380	(42,319)	29,061	Total Cost of Services	6	68,941	(47,109)	21,832
1,394	(1,387)	7	Other Operating Expenditure	9		415	415
3,518	(2,288)	1,230	Financing and Investment Income and Expenditure	10		1,730	1,730
13,272	(44,016)	(30,744)	Taxation and Non-specific Grant Income	11		(21,244)	(21,244)
89,564	(90,010)	(446)	(Surplus)/Deficit on Provision of Services				2,733
			Other Comprehensive Income and Expenditure				
		(9,974)	(Surplus)/Deficit on revaluation of Non-current assets				(1,707)
		(20,589)	Remeasurement of the net defined benefit liability/(asset)				(47,739)
		(30,563)	Total Other Comprehensive Income and Expenditure				(49,446)
		(31,009)	Total Comprehensive Income and Expenditure				(46,713)

Movement in Reserves

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The statement shows how the movements in year of the authority's reserves is broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account (HRA) balance movements in the year following those adjustments.

2022/23	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2022	(21,982)	(19,710)	(3,805)	(15,854)	(631)	(61,982)	(154,730)	(216,712)
Movement in Reserves during 2022/23								
Total Comprehensive Income and Expenditure	3,156	(422)				2,734	(49,446)	(46,712)
Adjustments between accounting basis and funding basis under regulations (note 7)	(8,376)	(3,007)	(1,652)	(1,000)	-	(14,035)	14,035	-
Other movements	(39)					(39)		(39)
(Increase)/Decrease in 2022/23	(4,432)	(4,256)	(1,652)	(1,000)	-	(11,340)	(33,627)	(44,967)
Balance at 31 March 2023	(26,452)	(23,966)	(5,457)	(16,853)	(632)	(73,361)	(188,356)	(261,718)

2021/22	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2021	(22,391)	(20,063)	(9,901)	(3,373)	(646)	(56,374)	(129,328)	(185,702)
Movement in Reserves during 2021/22								
Total Comprehensive Income and Expenditure	(4,414)	3,968				(446)	(30,563)	(31,009)
Adjustments between accounting basis and funding basis under regulations (Note 7)	4,823	(3,615)	(5,953)	(432)	15	(5,162)	5,162	-
(Increase)/Decrease in 2021/22	409	353	(5,953)	(432)	15	(5,608)	(24,892)	(31,009)
Balance at 31 March 2022	(21,982)	(19,710)	(15,854)	(3,805)	(631)	(61,982)	(154,730)	(216,712)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.

	Note	31 March 2023 £000	31 March 2022 £000
Property, Plant and Equipment	13	240,421	243,937
Heritage Assets	14	34,505	34,428
Investment Property	15	690	690
Intangible Assets	16	1,076	346
Long Term Investments	17	10,874	25,866
Long Term Advances	17	5,155	2,294
Long Term Debtors	18	166	114
Long Term Assets		292,887	307,675
Short Term Investments	17	54,535	53,869
Assets Held for Sale	16	76	468
Inventories		256	304
Short Term Debtors	18	19,874	10,921
Cash and Cash Equivalents	19	13,037	14,380
Current Assets		87,778	79,942
Short Term Borrowings	17	(449)	(7,758)
Short Term Creditors	20	(21,351)	(19,241)
Short Term Provisions	21	(255)	(237)
Current Liabilities		(22,054)	(27,236)
Long Term Provisions	21	(4,082)	(3,615)
Long Term Creditors		(661)	-
Long Term Borrowing	17	(83,376)	(83,409)
Pension Liabilities	34	0	(40,407)
Grant Receipts in Advance	8	(7,031)	(16,238)
Long Term Liabilities		(95,150)	(143,669)
Net Assets		263,460	216,712
Usable Reserves	22	(73,319)	(61,982)
Unusable Reserves	24	(190,141)	(154,730)
Total Reserves		(263,460)	(216,712)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

	Note	2022/23	2021/22
		£000	£000
Net (Surplus) or deficit on the provision of services		2,733	446
Adjustment to net surplus or deficit on the provision of services for non-cash movements	25	14,153	24,959
Adjustments for items included in the net surplus or deficit for the provision of services that are investing and financing activities	25	(1,207)	(4,550)
Net cash flows from Operating activities		10,212	20,855
Investing activities	26	6,735	39,829
Financing activities	27	(18,290)	(54,846)
Net increase or (decrease) in cash and cash equivalents		(1,343)	5,838
Cash and Cash equivalents at the beginning of the reporting period		14,380	8,542
Cash and Cash equivalents at 31 March 2023	19	13,037	14,380

Notes to the Accounting Statements

1 General Principles

The statement of accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual statement of accounts by the Accounts and Audit Regulations 2015 which those Regulations require to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 12 of the 2003 Act.

The accounting convention adopted in the statement of accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

2 Accounting Standards issued, but have not yet been adopted

The Council is required to disclose information relating to the impact on its Financial statements of an accounting change that will be required by a new standard that has been issued but has not yet been adopted by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'Code'). The Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 has introduced some changes to the accounting policies which will be required from 1 April 2022 and will be adopted by Rugby Borough Council from this date.

The standards introduced by the 2023/24 Code where disclosures are required in the 2022/23 Financial Statements, in accordance with the requirements of paragraph 3.3.4.3 of the Code, are:

- a. IFRS 16 Leases (but only for those local authorities that have decided to voluntarily implement IFRS 16 in the 2023/24 year). Rugby Borough Council will not be implementing IFRS 16 for 2023/24.
- b. Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- c. Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- d. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

3 Critical judgements in applying accounting policies

In applying the accounting policies set out in note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the statement of accounts are:

Going Concern

Local Authorities are required by the Code of Practice on Local Authority Accounting 2022/23 to prepare their accounts on the going concern basis, that is that the functions of the Council will continue in operational existence for the foreseeable future, as a local authority can only be discontinued as a result of statutory prescription.

The Council faces significant cost pressures due to the current cost of living crisis and high rates of inflation, experienced for fuel, electricity and other supplies, plus the consequential increase in demand for its services.

The Council has a control environment that will help to manage and minimise risks inherent in its budgets for future years, including a robust approach to financial planning, regular reporting to councilors and Senior Officers, using performance reporting as an early warning system and an internal audit function assessing controls and processes.

The Council also continues to focus on commercialisation, effective contract management and working with partners to secure value for money in delivering its strategic aims and priorities.

The Council has a strong track record in terms of delivering savings, generating income and delivering value to its residents, with a constant focus on strategic outcomes and financial prudence. Therefore, whilst the financial challenge facing the Council is significant, there is no evidence to indicate that the assets of the Council might be impaired due to the need to reduce service provision.

Annually, the Council updates its Medium term financial plan to identify future financial challenges and to develop a strategy to address issues. The council has also been prudent in its establishment of reserves, which will help enable the Council to invest and achieve the savings plans.

On the basis of the controls in place, the Council considers that it can continue to meet its liabilities as they fall due, supporting the preparation of the Financial statements on a going concern basis irrespective of the statutory requirements. On the basis of the controls in place, the Council considers that it can continue to meet its liabilities as they fall due, supporting the preparation of the Financial statements on a going concern basis irrespective of the statutory requirements.

Pension Liability

The Council's actuary has revalued the future liabilities owed by the Warwickshire Pension Fund on behalf of the Council, and matched this with the current fair value of assets held by the pension Fund on behalf of the Council. The resulted in a surplus (previous year's this has been a net deficit) of £6,571k. This surplus is not an asset that is available to the Council. the Council has assessed that there is no opportunity to get a reduction in future contributions or a refund from the fund. Under IFRIC 14, the accounting standard applicable to defined pension schemes, the Council has judged that there is no asset and the accounts therefore reflect a nil asset/liability.

4 Assumptions made about the future and other major sources of estimation uncertainty

The Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made considering historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Other land and buildings £28.079m Council Dwellings £198,871m	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by approximately £4.6m for every year that useful lives had to be reduced. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement
Financial instruments	The Council holds £4m (nominal) of units in both Property and Diversified Income Funds. The funds own retail, industrial, office, and other non-residential property holdings.	The value of Financial Instruments will be subject to review, so there may be changes to the values in the Balance Sheet in the future. Fair value gains and losses are recognised as they arrive in the Surplus/Deficit on the Provision of Services. The Council uses the statutory override introduced by MHCLG to transfer these gains/losses to the Financial Instruments Revaluation Reserve.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provision for Business Rate Appeals £4.2m	The possible refund from a business rate appeal can vary depending on factors such as; the type of appeal and type of property, together with its geographical location and the probability of appeal success.	<p>Estimates have been made for the provision for refunding ratepayers who may successfully appeal against the rateable value of their properties. This includes the current and previous financial years. The estimate is based on those ratepayers who have appealed. The total appeals provision as at 31 March 2023 is £105m, of which the Council's share is 40% (£4.2m).</p> <p>Should the success of appeals differ from the governments expectation by 1% the effect on the Council's net assets would be £0.04m</p>
Pension liability £0m	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Local Government Pension Scheme, administered by Warwickshire County Council with expert advice about the assumptions to be applied.</p> <p>At 31 March 2023 the Council's share of the pension Fund liability is an asset, which means that, should the assumptions come to fruition as estimated, the Council would realise a cash surplus. However, as explained in note 3, the asset has been treated as having a nil value.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.1% decrease in the discount rate assumption would result in a increase in the pension asset of £2.9 million.</p> <p>A sensitivity analysis upon other variables affecting the net pension liability is set out in Note 34 Defined benefit pension schemes.</p>

5 Events after the Reporting Period

Events taking place after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at 31 March 2023 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2023 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

No such events have been identified

6 Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2022/23					Net Expenditure Chargeable to the General Fund £000
	Net Expenditure in the CIES	Adjustments between the Funding and Accounting Basis			Total Adjustments	
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences		
	£000	£000	£000	£000	£000	
Communities and Homes	3,514	(455)	(412)	16	(852)	2,663
Digital and Communications	160	(411)	(307)	6	(711)	(551)
Executive Director's Office	401	0	(181)	(1)	(182)	219
Finance and Performance	1,298	0	(327)	11	(316)	982
Growth and Investment	1,788	(9)	(267)	3	(273)	1,514
Housing Revenue Account	403	(6,538)	(590)	10	(7,119)	(6,716)
Legal and Governance	2,420	(1,700)	(284)	14	(1,970)	450
Leisure and Wellbeing	4,740	0	(178)	2	(176)	4,564
Operations and Traded	5,488	(748)	(846)	39	(1,555)	3,933
Regulation and Safety	1,694	(355)	(304)	14	(645)	1,049
Corporate Items	(74)	0	0	0	0	(74)
Cost of Services	21,833	(10,216)	(3,697)	114	(13,799)	8,035
Other income and expenditure	(19,099)	6,779	(972)	(3,781)	2,026	(17,073)
(Surplus) or Deficit	2,734	(3,437)	(4,669)	(3,667)	(11,773)	(9,038)

Opening General Fund Balances	(41,691)
Plus Surplus/(Deficit) on General Fund in Year	(9,038)
Closing General Fund Balances	(50,729)

	2021/22					Net Expenditure Chargeable to the General Fund £000
	Net Expenditure in the CIES £000	Adjustments between the Funding and Accounting Basis			Total Adjustments £000	
		Adjustments for Capital Purposes	Pensions Adjustments	Other Differences		
		£000	£000	£000		
Communities and Homes	3,010	(159)	(330)	15	(474)	2,536
Digital and Communications	178	(343)	(280)	5	(618)	(440)
Executive Director's Office	609	0	(168)	0	(168)	441
Finance and Performance	1,092	0	(181)	7	(174)	918
Growth and Investment	1,412	(19)	(637)	0	(656)	756
Housing Revenue Account	2,348	(8,500)	(425)	3	(8,922)	(6,574)
Legal and Governance	2,091	(1,602)	(138)	1	(1,739)	352
Leisure and Wellbeing	3,726	0	(212)	3	(209)	3,517
Operations and Traded	4,642	(913)	(577)	3	(1,487)	3,155
Regulation and Safety	1,501	(225)	(240)	10	(455)	1,046
Corporate Items	8,452	0	(433)	0	(433)	8,019
Cost of Services	29,061	(11,761)	(3,453)	47	(15,335)	13,726
Other income and expenditure	(29,507)	10,900	(1,149)	6,793	16,544	(12,963)
(Surplus) or Deficit	(446)	(861)	(4,602)	6,840	1,209	763

Opening General Fund Balances	(42,454)
Plus Surplus/(Deficit) on General Fund in Year	763
Closing General Fund Balances	(41,691)

7 Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resource that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial years. The balance, however, is not available to be applied to funding HRA activities.

Housing Revenue Account

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or where in deficit is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet the expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

2022/23	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied
	£000	£000	£000	£000	£000
Adjustments to Revenue Resources					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(3,889)	(780)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	(1,176)	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	(2,626)	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	110	4	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(2,684)	(5,873)	(3,182)	-	-
Total Adjustments to Revenue Resources	(10,265)	(6,649)	(3,182)	0	0
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	0	2,809	-	(2,809)	-
Transfer of unattached capital receipts	39	-	-	39)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	222	-	-	(222)	-
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	1,412	-	-	-	-
Capital grants and contributions unapplied credited to the CIES	155	832	-	-	-
Use of Donated funds to finance capital exp	60	-	-	-	-
Total Adjustments between Revenue and Capital Resources	1,889	3,642	0	(3,071)	0
Adjustments to Capital Resources					
Application of capital grants to finance capital expenditure	(610)	-	-	-	610
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,419	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,183	-	-
Total Adjustments to Capital Resources	(610)	0	2,183	1,419	610
Total Adjustments	(8,986)	(3,007)	(1,000)	(1,652)	610

2021/22	General Fund Balance £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to Revenue Resources					
Adjustments by which income and expenditure included in the in comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pension costs (transferred to/from the Pensions Reserve)	(4,464)	(308)	-	-	-
Financial Instruments (transferred to/from the Financial Instruments Adjustments Account)	819	-	-	-	-
Council Tax and NDR (transfers to/from the Collection Fund)	5,975	-	-	-	-
Holiday Pay (transferred to/from the Accumulated Absences Reserve)	43	6	-	-	-
Reversal of entries included in the Surplus/Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(3,169)	(11,842)	(3,161)	-	15
Total Adjustments to Revenue Resources	(796)	(12,144)	(3,161)	0	15
Adjustments between Revenue and Capital Resources					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	4,489	2,937	-	(7,426)	-
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(493)	-	-	493	-
Posting of HRA resources from revenue to the Major Repairs Reserve	1,459	-	-	-	-
Provision for the repayment of debt (transfer from the Capital Adjustment Account)	164	2,365	-	-	-
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	66	-	(66)	-
Other Adjustment	-	-	-	-	-
Total Adjustments between Revenue and Capital Resources	5,619	5,368	0	(6,999)	0
Adjustments to Capital Resources					
Use of the Capital Receipts Reserve to finance capital expenditure	-	-	-	1,046	-
Use of the Major Repairs Reserve to finance capital expenditure	-	-	2,729	-	-
Total Adjustments to Capital Resources	0	3,161	(432)	1,046	0
Total Adjustments	4,823	(3,615)	(432)	(5,953)	15

8 Expenditure and Income Analysis by Nature

	2022/23	2021/22
	£000	£000
Expenditure		
Employee benefits expenses	23,993	23,221
Other service expenses	33,975	34,873
Depreciation, amortisation, impairment	9,979	12,496
Interest payments	1,829	2,384
Net interest on the net defined benefit liability	1,173	1,134
Precepts and levies	940	901
Payments to housing capital receipts pool	0	493
REFCUS	1,147	789
Gain / Impairment of financial assets	1,176	0
Loss on the disposal of assets	0	(1,281)
Total expenditure	74,212	75,011
Income		
Fees, charges and other service income	(9,119)	(12,286)
HRA dwelling rents	(17,099)	(15,561)
Interest and investment income	(2,417)	(2,235)
Income from council tax, non-domestic rates	(13,629)	(13,170)
Government grants and contributions	(28,639)	(32,045)
Gain on disposal of assets	(275)	(106)
Pooling Fund refund	(222)	0
Other income	(78)	(53)
Total income	(71,479)	(75,457)
(Surplus)/Deficit on the Provision of Services	2,733	(446)

9 Other Operating Expenditure

Other Operating Expenditure	2022/23	2021/22
	£000	£000
Parish Council Precepts	940	901
Payments to the Government housing capital receipts pool	(222)	493
Other Income - Unattached Receipts	(28)	(106)
(Gains)/Losses on the disposal of non-current assets	(275)	(1,281)
Total	(415)	7

10 Financing and Investment Income and Expenditure

Financing and Investment Income and Expenditure	2022/23 £000	2021/22 £000
Interest Payable and similar charges	1,829	2,384
Net interest on the net defined benefit liability	1,173	1,134
Interest Receivable and similar income	(2,398)	(1,417)
Income and expenditure in relation to investment properties and changes in their fair value	(51)	(52)
(Gains)/Impairment of financial assets	1,176	(819)
Total	1,730	1,230

11 Taxation and Non-Specific Grant Income and Expenditure

Taxation and Non-Specific Grant Income	2022/23 £000	2021/22 £000
Council Tax Income	(9,017)	(8,740)
Retained Business Rates	(17,780)	(17,703)
Business Rates Tariff Payment	13,272	13,273
Non-ring-fenced Government grants	(6,728)	(14,718)
Capital grants and contributions	(887)	(2,856)
Total	(21,140)	(30,744)

12 Grant Income

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant line in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where it has been applied to finance capital expenditure, it is posted to the Capital Adjustment Account. Where the grant has yet to be applied, it is posted to the Capital Grant Unapplied reserve. Amounts in the Capital Grant Unapplied reserve are subsequently transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

Total Grants Credited to Taxation and Non-Specific Grant Income	2022/23	2021/22
	£000	£000
New Homes Bonus	(1,934)	(1,780)
Business Rates Section 31 Grants	(3,919)	(3,872)
Other Non-Specific Revenue Grants	(875)	(1,120)
COVID-19 Non-Specific Revenue Grants	0	(7,945)
Revenue Grants	(6,728)	(14,717)
Capital Grants Non-Conditional	(56)	(2,046)
Capital Section 106 Funding Non-Conditional	0	0
Capital Grants Conditional	(389)	(337)
Capital Section 106 Funding Conditional	(441)	(474)
Capital Grants	(886)	(2,857)
Total	(7,614)	(17,574)

Grants included as income in the Net Cost of Services	2022/23	2021/22
	£000	£000
Credited to Services		
Department for Work and Pensions (DWP) - Housing Benefits Subsidy	(12,209)	(12,517)
Council tax energy rebate	(5,748)	0
Other DWP grants	(112)	(504)
Donations	(60)	0
MHCLG grants	(460)	(283)
Section 106 Contributions	(338)	(172)
Covid grants	0	(99)
Other Revenue Grants & Section 106 Funding	(1,247)	(1,378)
Revenue Grants and Contributions	(20,174)	(14,953)
MHCLG - Disabled Facilities Grant	(910)	(717)
Section 106 & Other Capital Conditional and Non-Conditional Funding	0	(18)
Capital Grants and Contributions	(910)	(735)
Total Grants Credited to Services	(21,084)	(15,689)

The Council has received the following grants and contributions that have yet to be recognised as income as there are conditions attached to them that require the monies to be returned to the awarding body if unspent on relevant expenditure. The balances at the year-end are as follows:

	2022/23	2021/22
	£000	£000
Revenue Section 106 Funding	(5,405)	(3,204)
Amounts Held for Specific Reasons	0	(48)
Council tax rebate	(50)	(5,632)
Covid 19 Additional relief grant	0	(2,908)
Restart grant	(741)	(741)
Other Revenue grants	(610)	(1,088)
Revenue Receipts Held in Advance	(6,806)	(13,622)
Capital Section 106 funding	0	(2,411)
Other Capital grants	(194)	(205)
Capital Receipts Held in Advance	(194)	(2,617)
Total Receipts Held in Advance	(7,000)	(16,238)

The Council has also received substantial Government funding during the year to passport to recipients to limit the financial impacts of COVID-19 on the economy. The Council has determined that, in the allocation of these grants, it is acting as an agent of the Government as the terms of payment and the recipients are not determined by the Council, and the associated income and expenditure do not form part of the Council's Financial statements. The balance left unpaid at the year-end is held as a creditor. Details of the funds received where the Council acts as agent are detailed below.

	31 March 2022	Income	Expenditure	31 March 2023
Grants received where the Council acts as an Agent	£000	£000	£000	£000
Dept of Business, Energy and Industrial Strategy - Creditor	(669)	(25)	0	(694)
Test and Trace Support Scheme	36	(40)	4	0
England Sports Council	0	(14)	13	(1)
Total	(633)	(79)	17	(695)

13 Property, Plant and Equipment

2022/23	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	000	000	000	000	000	000	000	000
At 1 April 2022	204,225	30,771	15,455	7,526	915	3,897	1,370	264,159
Additions	5,285	182	872	449	0	0	379	7,167
Donations					60			60
Derecognition - disposals	(1,351)	0	(1,379)	0	(20)	(16)	0	(2,766)
Derecognition - componentisation	(827)	0	0	0	0	0	0	(827)
Reclassification	0	0	19	0	0	0	(1,039)	(1,020)
Revaluation Increases recognised in the Revaluation Reserve	1,750	(131)	0	0	0	(125)	0	1,494
Revaluation decreases recognised in the Provision of Services	(5,432)	(1,484)	0	0	0	(216)	0	(7,132)
Other movements in cost or valuation	(17)	0	(645)	(5)	0	0	0	(667)
At 31 March 2023	203,633	29,338	14,322	7,970	955	3,540	710	260,468
Depreciation and impairment								-
At 1 April 2022	(6,305)	(998)	(10,032)	(2,837)	(20)	(30)	0	(20,222)
Charge for 2022/23	(3,037)	(550)	(1,119)	(352)	0	(4)	0	(5,062)
Derecognition - disposals	55	0	1,352	0	20	16	0	1,443
Impairment losses recognised in the revaluation reserve		(121)						(121)
Reclassification	0	0	0	0	0	0	0	0
Depreciation written out to the Provision of Services due to revaluation	2,828	846	0	0	0	14	0	3,688
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	0	(438)			0	0	0	(438)
Other movements in cost or valuation	17		645	5	0	0	0	667
At 31 March 2023	(6,442)	(1,261)	(9,154)	(3,184)	0	(4)	0	(20,045)
Balance Sheet at 31 March 2023	197,191	28,077	5,168	4,786	955	3,536	710	240,423

2021/22	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Non-Operational Assets	Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2021	205,382	31,782	14,423	7,149	915	3,897	3,628	267,176
Additions	4,963	590	1,150	811	-	-	739	8,253
Derecognition - disposals	(1,498)	(4)	(212)	(481)	-	-	-	(2,195)
Derecognition - componentisation	(997)	-	-	-	-	-	-	(997)
Reclassification	2,405	(44)	94	47	0	0	(2,997)	(495)
Revaluation increases/(decreases) recognised in the Revaluation Reserve	3,312	(154)	-	-	-	-	-	3,158
Revaluation increases/(decreases) recognised in the Surplus or Deficit on the Provision of Services	(7,573)	(1,399)	-	-	-	-	-	(8,972)
Other movements in cost or valuation	(1,769)	-	-	-	-	-	-	(1,769)
At 31 March 2022	204,225	30,771	15,455	7,526	915	3,897	1,370	264,159
Depreciation and impairment								
At 1 April 2021	(7,970)	(1,228)	(9,021)	(2,841)	(20)	(25)	-	(21,105)
Charge for 2021/22	(2,994)	(560)	(1,210)	(478)	-	(5)	0	(5,247)
Derecognition - disposals	36	-	199	482	-	-	0	717
Reclassification	6	-	-	-	-	-	-	6
Depreciation written out to the Surplus or Deficit on the Provision of Services due to revaluation	2,848	790	-	-	-	-	-	3,638
Impairment losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	-	-	-	-	0
At 31 March 2022	(6,305)	(998)	(10,032)	(2,837)	(20)	(30)	0	(20,222)
Balance Sheet at 31 March 2022	197,920	29,773	5,423	4,689	895	3,867	1,370	243,937

The statement shows the progress of the Council's rolling programme for the revaluation of non-current assets.

	Council dwellings	Other land and buildings	Surplus Non-Operational assets	Investment Non-Operational assets	Assets held for sale	Total non-current assets carried at current value	Assets carried at other value	Total Valuation (All Assets)
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	0	12		0	0	12	11,541	11,552
Valued at current cost in:								
2022/23	195,917	27,789	3,536	690		227,930		227,930
2021/22					76	76		76
2020/21	941	278				1,219		1,219
2019/20						0		0
2018/19						0		0
Total	197,191	28,079	3,536	690	76	229,237	11,541	240,777

14 Heritage Assets

	Art and Social History Collections	Monuments and Statues	Historic Sites/Buildings	Civic Regalia	Intangible	Total Assets
	000s	000s	000s	000s	000s	000s
Cost or Valuation						
At 1st April 2022	5,344	685	28,232	215	15	34,491
Additions	0	167	54	0	0	222
Transfers	0	29	109	0	0	138
Disposal	0	0	(17)	(2)	0	(19)
Revaluations	577	(310)	0	0	0	267
At 31st March 2023	5,921	571	28,379	213	15	35,099
Depreciation						
At 1st April 2022	(48)	0	0	0	(15)	(63)
Revaluations	0	0	0	0	15	15
Charge for year	(530)	(10)	(2)	0	(4)	(546)
At 31st March 2023	(578)	(10)	(2)	0	(4)	(594)
Net book value at 31st March 2023	5,343	561	28,377	213	11	34,505

Revaluations of Heritage Assets

In accordance with the Council's accounting policy on Heritage Assets, valuations may be made by any method that is appropriate and relevant to the heritage asset. The art and social history collections and the civic regalia were valued for insurance purposes by external and internal valuers in 2017/18.

Historic sites, principally the Great Central Walk bridges, are assessed for insurance purposes by council engineers based on re-instatement costs, A further revaluation of the bridges was undertaken in 2021/22.

Art Collections

The Council's collections of artwork is reported in the Balance Sheet at insurance valuation which is based on market values. The Rugby Art Collection was revalued by Michael Mays Consultancy in 2022/23. The collections include the following items:

- The Rugby Art Collection – 20th century and contemporary British art
- The Local Art Collection
- Andrew Varah Furniture
- Social History Collection – mainly donated artefacts
- Redding Collection – glass plate negatives

15 Investment Properties

	2022/23 £000	2021/22 £000
Balance at 1 April	690	690
Additions	0	0
Net gains/(losses) from fair value adjustments	0	0
Derecognition - disposals	0	0
Balance at 31 March	690	690

16 Intangible assets

	2022/23 £000	2021/22 £000
Balance at 1 April	346	274
Additions	267	170
Amortisation	(420)	(191)
Transfer From	882	93
Balance at 31 March	1,074	346

17 Assets Held for Sale

	2022/23	2021/22
	£000	£000
Balance at 1 April	468	3,701
Revaluation gains/(losses)	-	-
Assets unsold transferred back to PPE	-	(72)
Assets Sold	(392)	(3,629)
Assets transferred from PPE	-	468
Reclassification	-	-
Balance at 31 March	76	468

18 Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet

	31 March 2023		31 March 2022	
	Long Term	Short Term	Long Term	Short Term
	£000	£000	£000	£000
Financial Assets				
At Amortised Cost	10,119	48,544	25,771	46,705
At Fair Value through Profit and Loss	95	5,991	95	7,164
Total Investments	10,213	54,535	25,866	53,869
Loans and Receivables	5,126	-	2,266	-
Cash and Cash Equivalents	-	-	-	-
At Amortised Cost	-	13,037	-	14,380
Total Cash and Cash Equivalents	-	13,037	-	14,380
Trade Receivables	-	2,263	-	2,077
Included in Short term debtors	-	2,263	-	2,077
Total Financial Assets	15,339	69,834	28,132	70,326
Financial Liabilities				
Loans at Amortised Cost	(83,300)	(449)	(83,300)	(7,758)
Finance Lease	(60)	(22)	(81)	(28)
Short term creditors	-	(2,351)	-	(3,570)
Total Financial Liabilities	(83,360)	(2,821)	(83,381)	(11,356)

Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2022/23			2021/22		
	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss	Financial Liabilities Measured at Amortised Cost	Financial Assets Measured at Amortised Cost	Financial Assets Measured at Fair Value through Profit and Loss
	£000	£000	£000	£000	£000	£000
Interest Expense	(1,829)	-	-	(2,384)	-	-
Net loss on financial assets at fair value through profit and loss	-	-	(1,176)	-	-	-
Total Expense in Surplus/Deficit on the Provision of Services	(1,829)	-	(1,176)	(2,384)	-	-
Net gain on financial assets at fair value through profit and loss	-	-	-	-	-	819
Interest Income	-	1,623	522	-	1,063	227
Total Income in Surplus/Deficit on the Provision of Services	-	1,623	522	-	1,063	1,046
Gains on revaluation	-	-	1,176	-	-	(819)
Net Gain/(Loss) for the year	(1,829)	1,623	522	(2,384)	1,063	227

Fair Values of Assets and Liabilities

Some of the Council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Recurring Fair Value Measurements	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	31 March 2023 Fair Value	31 March 2022 Fair Value
			£000	£000
Fair value through profit and loss – CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	2,295	2,748
Fair value through profit and loss – CCLA Diversified Income Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,869	2,052
Fair value through profit and loss – Lothbury Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	1,826	2,364
Fair value through profit and loss	Level 3	Unobservable inputs for asset / liability	95	95
			6,086	7,164

There were no transfers between input levels during the financial year 2022/23. There has been no change in valuation technique used during the year for financial instruments.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value disclosures are required)

	31 March 2023		31 March 2022	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Assets held at amortised cost				
Corporate, Covered and Government Bonds	-	-	3,012	3,001
Long Term Investments	10,119	9,649	25,866	25,747
	10,119	9,649	28,877	28,748
Assets for which Fair Value is not disclosed				
Long Term Debtors	5,188	-	2,315	-
Short Term Investments	48,544	-	43,693	-
Cash and Cash Equivalents	13,037	-	14,380	-
Short term debtors	2,263	-	2,077	-
Sub-total	68,970	-	62,465	-
Total Financial Assets	79,089	9,649	91,343	28,748
Financial Liabilities at amortised cost				
Borrowing	-	-	-	-
Public Works Loans Board	(69,892)	(30,331)	(77,201)	(59,185)
Other	(13,857)	(11,460)	(13,856)	(18,104)
Total Borrowing	(83,749)	(41,791)	(91,058)	(77,289)
Finance Lease	(79)	(79)	(109)	(102)
Short term creditors	(2,351)	(2,351)	(3,038)	(3,038)
Total Financial Liabilities	(86,179)	(44,221)	(94,204)	(80,429)

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value.

The fair values of financial instruments classified at amortised cost can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following methods and assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, the rates for new borrowing for loans of a similar term have been used to assess fair values.
- For non-PWLB loans payable, prevailing market rates have been used to provide the fair value under PWLB debt redemption procedures.
- For loans receivable prevailing benchmark market rates have been used to provide the fair value.
 - No early repayment or impairment is recognised
 - Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

The fair values are calculated as follows:

The fair value of the liabilities is lower than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans at a lower rate than was available for similar loans in the market at the balance sheet date. This shows a notional future gain (based on economic conditions at 31 March 2023) arising from a commitment to pay interest to lenders below current market rates.

The fair value of PWLB loans of £30.331m compares the terms of these loans with the new borrowing rates available from the PWLB. However, if the Council were to seek to repay these loans early The Council would benefit from a discount, based on redemption interest rates for premature repayment of £31.806m. The exit price for the PWLB loans including the discount would be £38.086m.

The fair value of financial assets held at amortised cost is slightly lower than their balance sheet carrying amount because the interest rate on similar investments is now higher than that obtained when the investment was originally made.

The input level the fair values of financial assets and financial liabilities that are not measured at fair value (but for which Fair Value disclosures are required) is Level 2.

Current debtors and creditors are carried at cost as this is a fair approximation of their value.

19 Cash and Cash Equivalents

	31 March 2023	31 March 2022
	£000	£000
Cash held by the Council	22	23
Bank current accounts	7,976	8,852
Call Accounts	5,039	5,505
	13,037	14,380

20 Debtors

	31 March 2023	31 March 2022
	£000	£000
Amounts due within one year		
Central Government Bodies	1,478	839
Other local authorities (inc. Police)	13,406	5,586
Homelessness	130	29
Rent payers	1,126	791
Council taxpayers	1,024	765
Non-domestic rate payers	411	359
Housing Benefit overpayments	681	741
Other entities and individuals	1,618	1,811
	19,874	10,921
Amounts due in more than one year		
Employee vehicle loans	62	49
Work in default	104	65
	166	114
Total	20,040	11,035

21 Creditors

	31 March 2023	31 March 2022
	£000	£000
Amounts due within one year		
HM Revenue and Customs	346	392
Central Government Bodies	13,548	10,575
Other local authorities (inc. Police)	4,208	4,498
Rent payers	379	355
Council taxpayers	140	116
Other entities and individuals	2,729	3,304
Total	21,350	19,240
Amounts due in more than one year		
Funds held on behalf of third parties	661	0
	661	0
Total	22,011	19,240

22 Provisions

	2022/23			2021/22
	Business Rates Appeals	Other	Total	Total
	£000	£000	£000	£000
Short-Term Provisions				
Balance at 1 April 2022	(114)	(124)	(238)	(674)
Additional Provision made in year	(115)	(35)	(150)	(663)
Amounts used in year	116	-	116	664
Transfer between Long Term and Short Term	17	-	17	435
Unused amounts reversed in year	-	-	-	-
Other Movements	-	-	-	-
Balance of Short-Term Provisions at 31 March 2023	(96)	(159)	(255)	(238)
Long Term Provisions				
Balance at 1 April 2022	(3,615)	-	(3,615)	(2,698)
Additional Provision made in year	(1,185)	-	(1,185)	(1,270)
Amounts used in year	735	-	735	788
Transfer between Long Term and Short Term	(17)	-	(17)	(435)
Unused amounts reversed in year	-	-	-	-
Other Movements	-	-	-	-
Balance of Long-Term Provisions at 31 March 2023	(4,082)	-	(4,082)	(3,615)
Total Provision	(4,178)	(159)	(4,337)	(3,853)

Provision for Business Rate Appeals

The Local Government Finance Act 2012 introduced a business rates retention scheme that enabled local authorities to retain a proportion of the business rates generated in their area. Billing authorities acting as agents on behalf of the major preceptors (10%), central Government (50%) and themselves (40%) are required to make provisions for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

23 Usable reserves

Movements in the authority's usable reserves are detailed in the Movement in Reserves Statement.

	31 March 2023 £000	31 March 2022 £000
General fund balance	(2,250)	(2,250)
General Fund Earmarked reserves	(26,544)	(19,731)
Housing revenue Account	(4,085)	(4,295)
Housing revenue account Earmarked reserves	(18,770)	(15,415)
Housing revenue Account – Major repairs allowance	(5,061)	(3,805)
Usable capital Receipts reserve	(17,506)	(15,854)
Unapplied capital grants reserve	(22)	(631)
Total usable reserves	(73,319)	(61,982)

24 Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2021/22 and future years.

	31 March 2021 £000	Movement 2021/22 £000	31 March 2022 £000	Movement 2022/23 £000	31 March 2023 £000
General Fund					
Budget Stability Reserve	(3,048)	(450)	(3,498)	561	(2,937)
Business Rates Equalisation Reserve	(12,349)	1,045	(11,304)	(5,737)	(17,041)
Business Support Grants Reserve	0	0	0	(200)	(200)
Carry forward Reserve	(585)	(597)	(1,182)	1,014	(168)
Emergency climate reserve	(500)	0	(500)	(500)	(1,000)
Energy Efficiency Investment Fund	(76)	(15)	(91)	(31)	(122)
Hall of Fame Licence Reserve	(180)	129	(51)	51	0
Revenue Grants & Contributions from Third Parties	(613)	220	(393)	188	(205)
Section 106 (Developer) Contributions - Revenue	(980)	(517)	(1,497)	(440)	(1,937)
Town Centre Improvement Reserve	(192)	30	(162)	40	(122)
Transformation Fund	(500)	100	(400)	(948)	(1,348)
Waste reserve	(48)	(87)	(135)	29	(106)
Welfare Support Reserve	(560)	136	(424)	12	(412)
Other smaller reserves e.g. plant & equipment reserves	(511)	417	(94)	(26)	(120)
Total General Fund Earmarked Reserves	(20,142)	411	(19,731)	(6,813)	(26,544)
HRA					
HRA - Climate Change Reserve	0	0	0	(976)	(976)
Housing Repairs Account	(316)	223	(93)	93	0
Housing Revenue Account Capital Balances	(14,402)	(611)	(15,013)	(2,422)	(17,435)
Sheltered Accommodation	(260)	(49)	(309)	(49)	(358)
Total HRA Earmarked Reserves	(14,978)	(437)	(15,415)	(3,354)	(18,769)
Total Earmarked reserves	(35,120)	(26)	(35,146)	(10,167)	(45,313)

Budget Stability Reserve

There are various items within the Council's budget that are subject to significant degrees of volatility or variation from one year to another, often due to factors that are outside the Council's control or influence. This reserve assists the mitigation of such volatility by allowing the Council to call upon it in years where budget overspends occur and conversely replenish it in years where favourable variances arise

Business Rates Equalisation Reserve

This reserve is established to mitigate future fluctuations in the business rates base alongside the risks faced by the Council through the anticipated changes in business rates baseline and fair funding

Emergency climate Reserve

The reserve has been established to support the Council's objective to move operations towards carbon neutrality by 2030.

Transformation Fund Reserve

The reserve will help to facilitate significant service redesign which will support the delivery of the Corporate Strategy and in the achievement of delivering a balanced medium-term financial plan.

Section 106 Developer Contributions

These represent amounts of money paid to the Council during development for specific projects and agreements with developers for the provision of additional facilities as and when land or schemes become available to provide those facilities.

Revenue Grants and Contributions from 3rd Parties

These are grant payments and contributions from 3rd parties to fund expenditure in future years.

Welfare Support Reserve

This reserve will be used to support the Council's housing acquisition plans to reduce temporary accommodation costs.

Town Centre Improvement Fund

This reserve will be used to support developments in the Town Centre intended to improve the experience of using that space for users, whether they be visitors, commuters, pedestrians or drivers.

Carry Forward Reserve

This reserve holds the balances of underspent General Fund revenue budgets in 2021/22, where expenditure has slipped or been deferred to 2022/23.

Other Smaller Reserves

The Council has set aside several smaller reserves to support projects or to cover deferred and delayed expenditure.

Housing Repairs Account and HRA Capital Investment Balances

An annual assessment is made on the need to support projects or to cover deferred and delayed expenditure relating to the HRA and related council house repairs and maintenance or capital projects.

25 Unusable Reserves

The following table shows the value of unusable reserve balances that have arisen as a result of accounting adjustments. These reserves are not available to spend.

	31 March 2023 £000	31 March 2022 £000
Housing Act - Deferred Capital Receipt	(29)	(29)
Donated asset reserve	(60)	-
Revaluation Reserve	(69,584)	(69,368)
Capital Adjustment Account	(121,664)	(125,911)
Financial Instruments Revaluation Reserve	53	(1,123)
Pension Reserve	0	43,070
Collection Fund Adjustment Account	798	(1,829)
Accumulated Absences Account	345	460
	(190,141)	(154,730)

Details of the significant unusable reserves are set out in further tables below.

Revaluation Reserve

This reserve represents mainly the balance of the gains and losses arising on the periodic revaluation of current assets.

	2022/23		2021/22	
	General Fund £000	HRA £000	Total £000	Total £000
Opening Balance	(39,297)	(30,070)	(69,368)	(62,856)
Upward Revaluation of assets	(808)	(1,784)	(2,592)	(12,954)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	653	232	885	3,490
Surplus on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(39,451)	(31,623)	(71,075)	(72,320)
Difference between fair value depreciation and historical cost depreciation	626	520	1,146	966
Accumulated gains on assets sold or scrapped	2	343	345	1,986
Balance as at 31 March	(38,824)	(30,760)	(69,584)	(69,368)

Capital Adjustment Account

This account represents the amounts set aside from revenue resources or capital receipts to finance expenditure on non-current assets or for the repayment of loans as well as other capital financing transactions as required by the Accounting Code of Practice.

	2022/23 £000	2021/22 £000
Opening Balance	(125,911)	(129,680)
Reversal of Items relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
General Fund charges for depreciation of non-current assets	2,445	2,514
HRA charges for depreciation of non-current assets	3,182	3,158
Revaluation and impairment loss: Property, Plant and Equipment	3,932	5,334
Amortisation of Intangible Assets	420	191
Changes in the Fair Value of Financial Instruments	0	0
Revenue Expenditure funded from Capital under Statute	1,147	790
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,544	6,104
	13,670	18,091
Adjusting Amounts written out of the Revaluation Reserve	(1,491)	(2,952)
Net written out amount of the cost of non-current assets consumed in the year	(113,732)	(114,541)
Capital financing applied in the year		
Use of the Capital Receipts Reserve to finance new capital expenditure	(1,419)	(1,046)
Capital expenditure charged against the General Fund and HRA balances	(988)	(2,529)
Use of the Major Repairs Reserve to finance new capital expenditure	(2,183)	(2,729)
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(1,931)	(3,606)
Provision for the financing of capital investment charged against the General Fund and HRA	(1,412)	(1,460)
	(7,933)	(11,370)
	(121,664)	(125,911)

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits become payable.

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	43,070	58,888
Remeasurement of the net defined benefit liability	(54,310)	(20,590)
Reversal of items relating to retirement benefits included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,669	7,668
Employer's pensions contributions and direct payments to retiree's payable in the year	0	(2,896)
IFRIC 14 adjustment, to reduce the asset ceiling	(6,571)	0
Balance as at 31 March	0	43,070

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the difference arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund.

	31 March 2023 £000	31 March 2022 £000
Balance at 1 April	1,829	4,146
Difference between Council Tax and Business Rates income is accounted for in the Comprehensive Income and Expenditure Statements and the Collection Fund.	(2,627)	(5,975)
Balance as at 31 March	(798)	1,829

Accumulated Absences Account

This represents the holiday pay unpaid at 31 March 2022 but included in Gross expenditure for the year.

	2022/23 £000	2021/22 £000
Balance at 1 April	460	509
Settlement or cancellation of accrual made at the end of the preceding year	(460)	(509)
Amounts accrued at the end of the current year	346	460
Balance as at 31 March	346	460

26 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2022/23 £000	2021/22 £000
Interest received	2,398	1,440
Interest paid	(1,829)	(2,384)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2022/23 £000	2021/22 £000
Depreciation/Impairment charge	5,609	5,254
Amortisation of Intangible Assets	420	191
Revaluation of Non-Current Assets	3,934	6,260
Derecognition of Non-Current Assets	2,561	6,176
(Increase)/Decrease in Debtors	(9,005)	1,759
Increase/(Decrease) in Creditors	2,770	(2,437)
(Increase)/Decrease in Inventories	47	(148)
Increase/(Decrease) in Provisions	485	482
Movement in Pension Liability	7,332	7,422
Total non-cash movements	14,153	24,959

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2022/23 £000	2021/22 £000
Capital Grants	(886)	(2,856)
Proceeds from the Sale of Properties	(2,948)	(7,426)
Council Tax and NNDR Adjustments	2,627	5,975
	(1,207)	(4,307)

27 Cash Flow Statement – Investing Activities

	2022/23 £000	2021/22 £000
Purchase of property, plant and equipment, investment property and intangible assets	(7,656)	(8,423)
Purchase/Proceeds of short-term and long-term investments	11,465	40,647
Net payments/receipts for other investing activities	17	250
Other investing activity	60	(71)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2,849	7,426
Net cash flows from investing activities	6,735	39,829

28 Cash Flow Statement – Financing Activities

	2022/23 £000	2021/22 £000
Other receipts from financing activities	886	2,856
Capital grants received	(9,207)	10,614
Cash receipts/repayments of short-term and long-term borrowing	(7,342)	(62,584)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	0	0
Other payments for financing activities	(2,627)	(5,975)
	(18,290)	(55,089)

29 Councillors Allowances

	2022/23 £000	2021/22 £000
Allowances	392	371
Employers' National Insurance	8	7
Expenses	2	1
Total	402	379

30 Officers' Remuneration

Benefits payable during employment

The remuneration of the Council's senior employees is as follows:

2022/23	Salary, Fees & Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Executive Director	109,925	-	-	21,655	131,580
Deputy Executive Director	91,615	132	-	18,048	109,795
Chief Officer Finance & Performance	70,978	-	-	13,983	84,961
Chief Officer Leisure & Wellbeing	62,825	-	-	12,377	75,202
Chief Officer Growth & Investment	65,152	90	-	12,835	78,077
Chief Officer Legal & Governance	70,978	-	-	13,983	84,961
Chief Officer Communities & Homes	62,831	-	-	12,400	75,231
Chief Officer Regulation & Safety	62,825	-	-	12,377	75,202
Chief Officer Operations & Traded	51,482	-	-	10,142	61,624
Chief Officer Digital and Communications	62,825	116	-	12,377	75,318

2021/22	Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total
Post Holder	£	£	£	£	£
Executive Director	100,820	-	-	19,860	120,680
Deputy Executive Director	86,560	-	-	17,050	103,610
Chief Officer Finance and Performance	60,900	-	-	12,000	72,900
Chief Officer Leisure and Wellbeing	55,820	920	-	11,000	67,740
Chief Officer Growth and Investment	27,160	-	-	4,860	32,020
Chief Officer Growth and Investment	25,380	20	-	5,000	30,400
Chief Officer Legal and Governance	60,900	-	-	12,000	72,900
Chief Officer Communities and Homes	16,410	-	-	2,430	18,840
Chief Officer Communities and Homes	46,620	-	-	9,190	55,810
Chief Officer Regulation and Safety	55,820	1,830	-	11,000	68,650
Chief Officer Digital and Communications	42,250	-	-	7,750	50,000
Chief Officer Digital and Communications	18,360	-	-	3,620	21,980

The number of other Council's employees receiving more than £0.050m remuneration for the year (excluding employer's pension contributions) is shown in the table below.

Remuneration Band	2022/23	2021/22
	Number of employees	Number of employees
£50,000 - £54,999	3	4
£60,000 - £64,999	1	1

Exit Packages

Exit Packages (Termination Benefits) are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

Rugby Borough Council terminated the contracts of 8 employees in 2022/23 (4 in 2021/22), incurring liabilities of £0.102m (£0.026m in 2020/21). The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table following:

Exit package cost bands (including special payments)	Number of compulsory redundancies		Number of agreed other departures		Total number of exit packages by cost band		Total cost of exit packages in each cost band	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
							£	£
£0 - £20,000	2	2	3	2	5	4	27,335	25,722
£20,001- £40,000	2	0	1	0	3	0	74,841	0
Total	4	2	4	4	8	4	102,176	25,722

31 Audit Fees

The Council's external auditors are appointed through Public Sector Audit Appointments Limited (PSAA), who also agree the fees to be charged by the auditor

	2022/23 £000	2021/22 £000
Fees payable for external audit services	50	64
Additional fees payable for external audit services in relation to previous years	7	11
Fees payable for the certification of grant claims and returns	26	20
Additional fees payable for the certification of grant claims and returns in relation to previous years	0	10
Public Sector Audit Appointments Refund	0	(22)
Redmond review grant from DLUHC	(22)	0
Fees payable in respect of other services provided by the auditor	6	6
Total	67	89

32 Related Party Transactions

The Council is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from Government departments are set out in the notes to these accounts.

Councillors and Chief Officers

Based on existing key data sources, no material related party transactions have been identified amongst either the councillors or chief officers.

Declarations are made under section 81 of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001. The following sources make up the Council's core elements for managing the risk of Fraud, Bribery and Corruption and are:

- **The Register of Councillors' Interests** – maintained in accordance with the Local Authorities (Members' Interests) Regulations 1992 (Statutory Instrument 1992/618);
- **Disclosure of direct or indirect pecuniary interests** - as defined by the Council's Code of Conduct for Councillors; and
- **The Staff Register of Interests** – maintained in accordance with the Council's Constitution and Anti-Fraud, Bribery and Corruption Strategy.

Senior council officers remuneration paid during 2022/23 is set out in Note 29 and Councillors allowances are stated in Note 28.

Other Public Bodies (subject to control by Central Government)

Based on a review of transactions made by the Council in 2022/23 the following transactions were made to or received from other public bodies.

- Nuneaton and Bedworth Borough Council paid £0.056m to Rugby Borough Council to meet the shared IT officer salary costs to provide Civica APP Support and Development.

Shared Service Arrangements

The council has the following shared service arrangements. There were no material interactions in 2022/23.

- Rainsbrook Crematorium
- Shared Building Control Service
- Local Authority Emergency Planning Officer Scheme

Entities Controlled or Significantly Influenced by the Authority

The Council provided financial assistance to certain voluntary and outside bodies during 2022/23; these are mainly local Government associations or local groups that the Council supports with grant aid and advice.

Rugby First Ltd - BID Division - An amount of £0.864m was paid to the BID Company in 2022/23 of which £0.582m related to the collection of BID levy income £0.268m is used to provide a CCTV Monitoring and Town Centre Management Service and £0.014m for contributions to the BikeFest and Christmas lights

Queen's Diamond Jubilee Centre - Rugby Borough Council funded £0.277m in capital charges in 2022/23 and received £0.358m for the annual contract fee and profit share as per the contract agreement.

Other significant related parties

Sherbourne recycling – Sherbourne Recycling was established in 2021 to develop and operate a new state of the art materials recycling facility in Coventry on behalf of eight local authorities (Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-on-Avon District Council, Solihull Metropolitan Borough Council, Walsall Council and Warwick District Council). In 2021/22 The council purchased shares £0.1m and has made further loanadvances of £2.3m in 2022/23.

32 Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year, on an accruals basis, is shown below together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Capital commitments

At 31 March 2023, the Council had capital commitments of £Nil (31 March 2022: £Nil)

Capital Financing Requirement (CFR)

	2022/23	2021/22
	£000	£000
Opening Capital Financing Requirement	86,879	86,744
Capital Investment:		
Property, Plant, and Equipment and Assets Held for Sale	7,150	8,253
Donated asset	60	0
Heritage Assets	238	0
Intangible Assets	267	170
Revenue Expenditure Funded from Capital under Statute	1,147	790
Long term loan	2,635	2,292
Capital Investment Total	11,497	11,505
Sources of Financing:		
Capital Receipts	(1,419)	(1,046)
Government Grants and Other Contributions	(1,931)	(3,607)
Sums Set Aside from Revenue	(988)	(2,529)
Use of Major Repairs Reserve	(2,183)	(2,729)
Minimum Revenue Provision / Voluntary Revenue Provision	(1,412)	(1,459)
Financing Total	(7,933)	(11,370)
Closing Capital Financing Requirement	90,443	86,879
(Increase)/Decrease in underlying need to borrow	3,564	(135)

33 Leases

The Council as a Lessee

Finance leases

The Council has acquired the Land at Brownsover for use as a public park under a finance lease for 999 years. The asset is carried as a Community Asset in the Balance Sheet at a net value of £1 at 31 March 2022. At inception, no upfront premium was payable and the minimum lease payment of “one peppercorn” has not been charged.

Operating Leases

The Council has entered several short-term leases to provide temporary accommodation within the Borough. The future minimum lease payments receivable under the non-cancellable leases in future years are:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	260	338
Later than 1 year and not later than 5 years	135	60
	395	398

The Council holds a limited number of operating leases, mainly relating to the lease of photocopiers with an annual rental of £0.035m and lease land at Hillmorton Road for the purpose of a public recreation ground with a rental of “one peppercorn” per annum.

The Council as Lessor

Finance leases

Future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	58	12
Later than 1 year and not later than 5 years	90	103
	148	115

Operating leases

The Council has leased out properties under operating leases for the provision of community services (such as sport facilities or community centres) or economic development purposes to provide local businesses with affordable accommodation.

Future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2023 £000	31 March 2022 £000
Not later than one year	86	87
Later than 1 year and not later than 5 years	237	300
Later than 5 years	1,848	1,554
	2,171	1,941

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered, such as adjustments following rent reviews. In 2022/23 no contingent rents were receivable by the Council.

34 Defined Benefit Pension Scheme

Pension Benefits

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that the employees earn their future entitlement.

Transactions relating to Post-Employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax and HRA rents is based on the sums specified on the actuary certificate published as part of the valuation as at 1 April 2022, so the real cost of post-employment/retirement benefits is reversed out of the General Fund and HRA via the Movement in Reserves Statement.

The movement in the pension scheme assets and liabilities together with the treatment of the corresponding transactions in the CIES and HRA are summarised in the following tables.

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Comprehensive Income and Expenditure Statement				
Cost of Services				
• Current Service Costs	6,314	6,535		
• Past Service Costs				
Financing and Investment Income and Expenditure				
• Net Interest Expense	1,173	1,109	0	0
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	7,487	7,644	0	0
Other Post-employment benefits charged to the Comprehensive Income and Expenditure Statement				
Re-measurement of the net defined benefit liability comprising:				
• Actuarial (gains)/losses arising on changes in financial assumptions	62,490	12,396	0	10
• Actuarial (gains)/losses arising on changes in demographic assumptions	3,531	960	0	9
• Other experience	(6,960)	(360)	0	(63)
• Return on Plan Assets (excluding the amount included in the net interest expense)	(4,751)	7,637		
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	54,310	20,633	0	(44)
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-Employment Benefits in accordance with the Code	(7,488)	(7,644)	0	(25)
Actual amount charged against the General Fund and HRA Balances for Pensions in the year:				
• Employer's contributions payable to the scheme	55	145		103
• Early payment transferred to pension liability	2,664	2,664		78
• Retirement benefits payable to pensioners			100	0
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	(4,769)	(4,835)	100	156

Pension Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plan is as follows:

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Present Value of the Defined Benefit Obligation	(120,557)	(172,453)	(1,032)	(1,265)
Fair Value of Plan Assets	128,160	133,311	-	-
IFRIC 14 adjustment to reduce the credit ceiling	(6,571)	-	-	-
Net Liability Arising from the Defined Benefit Obligation	1,032	(39,142)	(1,032)	(1,265)

Reconciliation of the Movements in the Fair Value of the Scheme (Plan) Assets:

	2022/23 £000	2021/22 £000
Opening Balance at 1 April	133,311	126,609
Interest Income on Plan Assets	3,550	2,496
Return on Plan Assets, excluding the amount included in the net interest expense	(5,201)	7,637
Contributions from Employer	55	145
Contributions from Scheme Participants	884	824
Benefits Paid	(4,439)	(4,400)
Closing Balance at 31 March	128,160	133,311

Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation):

	Local Government Pension Scheme		Discretionary Benefit Arrangements	
	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000
Opening Balance at 1 April	(172,453)	(178,885)	(1,265)	(1,299)
Current Service Cost	(6,259)	(6,535)		
Interest cost	(4,723)	(3,605)	0	(25)
Contributions by Scheme Participants	(884)	(824)		
Re-measurement (Gain)/Loss:				
• Actuarial (gains)/losses arising from changes in demographic assumptions	62,490	12,396	0	10
• Actuarial (gains)/losses arising from changes in financial assumptions	3,531	960	0	9
• Other experience	(6,510)	(360)	0	(63)
Adjustment	(133)		133	
Benefits Paid	4,439	4,400	100	103
Past Service Costs	(55)		55	
Closing Balance at 31 March	(120,557)	(172,453)	(1,032)	(1,265)

Asset Category	Period Ended 31 march 2023			
	Quoted £,000	Unquoted	Total £,000	Percentage of total assets
Equity Securities: Other¹	-	54.6	54.6	0.0%
Debt Securities				0.0%
Corporate bonds (investment grade)	7,936.0	-	7,936.0	6.2%
Corporate bonds (non-investment grade)	2,606.0	-	2,606.0	2.0%
UK Government	6,017.6	-	6,017.6	4.7%
Other	-	3,820.1	3,820.1	3.0%
Private equity	-	9,108.5	9,108.5	7.1%
Real Estate				
UK Property	12,579.2	-	12,579.2	9.8%
Overseas Property	42.7	-	42.7	0.0%
Investment Funds and Unit trusts				
Equities	65,248.2	-	65,248.2	50.9%
Bonds	11,576.2	-	11,576.2	9.0%
Infrastructure	-	6,483.2	6,483.2	5.1%
Cash & cash equivalents	2,687.7	-	2,687.7	2.1%
Closing Balance at 31 March	108,693.6	19,466.4	128,160.0	100.0%

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method valuation, an estimate of the pensions that will be payable in future years' dependent on assumptions about mortality rate, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the scheme fund being based on the latest full valuation of the scheme as at 31 March 2023

The significant assumptions used by the actuary have been:

	2022/23	2021/22
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	21.3	21.6
Women	24.1	24.1
Longevity at 65 for future pensioners (years):		
Men	21.8	22.7
Women	25.9	25.9
Financial assumptions		
Rate of increase in salaries	3.95%	4.00%
Rate of increase in pensions	2.95%	3.20%
Rate of discounting of scheme liabilities	4.75%	2.70%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the previous table. The sensitivity analysis shown in the next table have been determined based on reasonably possible changes on the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant.

The assumption in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur and changes in some of the assumption may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e., on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the following sensitivity analysis did not change from those used in the previous period.

IAS19 - *Employee Benefits* requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out as follows.

Impact on the Defined Benefit Obligation in the Scheme		
	Approximate % increase to Employer Liability	Approximate Monetary Amount £000
0.1% decrease in Real Discount Rate	2%	2,093
1 year increase in member life expectancy	4%	4,864
0.1% Discount in the Salary Increase Rate	0%	221
0.1% increase in the Pension Increase Rate (CPI)	2%	1,902

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The county council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be undertaken as at 31 March 2023 and will be reported later in 2023.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipated to pay £2.7m expected contributions to the scheme in 2023/2024.

35 Contingent Assets and Liabilities

Contingent Liabilities and assets

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

The Council has no contingent assets or liabilities at 31 March 2023.

36 Accounting policies

1. Accruals of Income and Expenditure

The Council's revenue and capital activity is accounted for in the year that it takes place, by including sums due to or from the Council in the year, not simply when cash payments are made or received.

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

2. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than one month from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise because of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

4. Charges to Revenue for Non-current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the revaluation reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement [equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance (England and Wales) or the statutory repayment of loans fund advances (Scotland)]. Depreciation, revaluation and impairment losses, and amortisation are therefore replaced by the contribution in the General Fund balance [MRP or the statutory repayment of loans fund advances], by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

5. Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the collection fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the collection fund, billing authorities, major preceptors and central government (for NDR) share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the collection fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

6. Employee Benefits

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include salaries, wages and other employment related payments and are recognised as an expense in the year in which the service is rendered by the employees. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that leave benefits are charged to revenue in the financial year in which the leave of absence occurs.

Termination Benefits

Termination benefits are amounts payable because of the Council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. These are charged on an accrual's basis to the relevant service line in the Comprehensive Income & Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises the costs for restructuring.

Pension Costs

Pension Benefits

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments for those benefits and to disclose them at the time that the employees earn their future entitlement.

The pension scheme is operated under the framework of the Local Government Pension Scheme and the governance of the scheme is the responsibility of the Pensions Investment sub-committee of Warwickshire County Council. Policy is determined in accordance with the Pensions Fund Regulations.

Statutory provisions require the General Fund and Housing Revenue Account balances to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits based on cash flows rather than as benefits are earned by employees.

Recognition and Measurement

The LGPS is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, which is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.75% (broadly equivalent to the yield available on high quality corporate bonds with duration, consistent with the term of the liabilities).
- The fair value of the assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Market quoted investments – current bid price on the final day of the accounting period
 - Fixed interest securities – net market value based on their current yields
 - Unquoted investments – professional estimate

The change in net pensions liability is analysed into the following components:

- Service Cost - comprising:
 - Current year service cost – the increase in the liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increases in liabilities because of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
 - Net interest on the net defined liability – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.
- Remeasurements - comprising:
 - The return on plan assets – excluding amounts including in net interest on the net defined benefit liability/(asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

7. Events after the Reporting Period

Events taking place after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Accounts are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of 2022/23 – the Accounts are adjusted to reflect such events
- Those that are indicative of conditions that arose after the 31 March 2023 – the Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made of the nature of the event and their estimated financial effect.

8. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the

liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the CIES to the net charge required against the General Fund and Housing Revenue Account Balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e., where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair

value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

9. Government Grants and Contributions

Grants

Whether paid on account, by instalments or in arrears, government grants and third-party contributions and donations are recognised as due to the Council and credited to the Comprehensive Income and Expenditure Statement when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments; and
- the grants or contributions will be received.

Monies advanced as grants or contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant line in the Comprehensive Income & Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where it has been applied to finance capital expenditure, it is posted to the Capital Adjustment Account. Where the grant has yet to be applied, it is posted to the Capital Grant Unapplied reserve. Amounts in the Capital Grant Unapplied reserve are subsequently transferred to the Capital Adjustment Account once they have been used to fund capital expenditure.

Revenue from contracts with customers

Where revenue is charged or received for goods or services provided to customers there will be an assessment of this income following the following 5 step approach.

- 1) Identify contract - agreement that creates enforceable rights and obligations
- 2) Identify performance obligations in the contract
- 3) Determine transaction price
- 4) Allocate transaction price to performance obligations
- 5) Recognise revenue when or as an entity satisfies performance obligations

The outcome of this evaluation will determine how this will be accounted for within the statement of accounts.

10. Heritage Assets

Heritage assets are assets that are held by the Council principally for their contribution to knowledge and culture. They are a distinct class of asset which is reported separately from Property, Plant, and Equipment. Previously the majority of these assets had been held as Community Assets with the exception of one or two which were

held in Infrastructure Assets or Other Land and Buildings. The heritage assets held by the Council have been categorised as follows:

- Art & Social History Collections
- Monuments & Statues
- Historic sites / buildings
- Civic Regalia

The Code requires councils to recognise heritage assets where the Council has information on the cost or value of the asset. However, the unique nature of many heritage assets makes reliable valuation complex. Where it is not practical to obtain a valuation for an asset (at a cost which is commensurate with the benefits to users of the Financial statements) and cost information is available, the asset will be carried at historical cost (less any accumulated depreciation, amortisation and impairment losses) as permitted by the Code.

Valuations may be made by any method that is appropriate and relevant to the heritage asset: this includes insurance valuations for museum collections, monuments & statues, historic sites, and civic regalia. It is not a requirement of the Code for valuations to be carried out or verified by external valuers. Although there is no prescribed minimum period between full valuations, the Council considers it appropriate to seek a full valuation every five years.

Impairment reviews will only take place where there is physical deterioration or new doubts as to the authenticity of the heritage asset. Any impairment recognised will be treated in accordance with the Council's policy on impairments.

11. Intangible Assets

Expenditure on non-monetary assets that do not have physical substance are identifiable and controlled by the Council is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council. Normal examples are those of software or software licences, which are initially recognised at cost, and which have a useful life, of 3 –10 years and the depreciable amount is therefore written down over that useful life.

12. Interests in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and Currently it is not required to prepare group accounts. In the authority's own single-entity accounts.

The interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

13. Inventories and Long-term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long-term contracts are accounted for based on charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

14. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on

revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustments Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

15. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- Its assets, including any held jointly
- Its liabilities, including any share of any liabilities incurred jointly
- Its revenue from the sale of its share of the output arising from the joint operation
- Its expenses, including its share of any expenses incurred jointly
- The Council has a 50% interest in the Rainsbrook Crematorium Joint Committee with the other 50% relating to West Northamptonshire Council. The decision making and operational arrangements of the Joint Committee fulfil the features associated with a jointly controlled operation in that:
 - Each operator incurs its own expenses and liabilities and raises its own finance, which represent its own obligations; and
 - The joint operation agreement provides a means by which the revenue from the service and any expenses incurred in common are shared among the operators.

Therefore, in line with the contractual arrangements set out in the joint agreement, the Council recognises its share of the operational assets and liabilities of the Joint Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate. Further detail on this Joint Operation is also provided in Note 31 Related Party Transactions.

16. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and building elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. This definition includes rental agreements, contract hire and licences.

17. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

18. Property Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as a revenue expense when it is incurred. The Council has established a de-minimis level of £10,000. Expenditure on assets under this level is not capitalised within the Accounts and the assets are fully depreciated within the year.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e., it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. This includes assets such as the Queen's Diamond Jubilee Leisure Centre, Benn Hall, and the John Barford Car Park.

Where non-property assets have short useful lives and/or low values, for example, vehicles and IT equipment, they are measured at depreciated historical cost as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Land and building assets under £10,000 are not revalued except for investment properties. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains or may be credited to the Comprehensive Income & Expenditure Statement to reverse a previous downward revaluation.

Where decreases in value are identified, they are accounted for:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income & Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end to determine whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment

loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for as per decreases in value noted above.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income & Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Impairment Losses

No impairments were recognised in the year following a review of asset compliance with our componentisation policy.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e., freehold land and Community Assets) and assets that are not yet available for use (i.e., assets under construction).

Where depreciation is provided for, assets are depreciated using the straight-line method over the following periods:

- Dwellings and other buildings – 5-60 yrs.
- Vehicles, plant and equipment – 3-25 yrs.
- Infrastructure – 7-40 yrs.

Depreciation is charged on council dwellings in the year of disposal.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £500,000 for determining whether an asset needs to be componentised and an individual asset cost of more than 25% to determine whether an asset is considered as a component.

The carrying amount of a replaced or restored part of an asset (component) is derecognised, with the carrying amount of the new component being recognised subject to the principles set out in Recognition and Measurement above. This recognition and derecognition takes place regardless of whether the replaced part had been depreciated separately.

Subsequent Expenditure on Property Plant and Equipment

Subsequent costs incurred on an asset previously recognised as Property, Plant and Equipment will only be capitalised if they result in items with physical substance and meet the recognition principle that

- It is probable that future economic benefits or service potential associated with the item will flow to the Council; and
- The cost of the item can be measured.

Exceptions to the general approach of comparing the outcome of expenditure compared to previously assessed levels of performance:

- Where subsequent expenditure will actually increase the level of performance of an asset in generating economic benefits or providing service potential but does not increase the level of performance previously assessed by the Council for that asset, then the assessment can be updated (through a revaluation adjustment) and the new expenditure capitalised
- Where subsequent expenditure represents the replacement of a component of an existing asset provided that the old component can be written out of the Balance Sheet

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal (i.e., netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal of £10,000 or more are categorised as capital receipts, whereas amounts below £10,000 are classed as revenue income. A proportion of receipts relating to Right-to-Buy housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund or HRA Balance in the Movement in Reserves Statement.

The writing off of the remaining net book value of assets which are disposed of is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and its fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell.

19. Provisions, Contingent Liabilities & Contingent Assets

Provisions

Provisions represent amounts set aside to meet future liabilities which are likely or certain to be incurred but where it is not possible to determine exactly the amounts or timing of such events.

Provisions in respect of bad and doubtful debts are maintained, including amounts relating to rent, council tax and business rate arrears, which have been estimated in accordance with recommended practice and past experience and are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement. When payments are eventually made, these are charged to the provision carried in the Balance Sheet.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the Accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the

control of the Council. Contingent assets are not recognised in the Balance Sheet but are disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

21. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund balance to the capital adjustment account then reverses out the amounts charged so that there is no impact on the level of council tax.

22. Value Added Tax (VAT)

VAT is included in service revenue or capital income and expenditure accounts only when it is not recoverable.

23. Fair Value Measurement of Non-Financial Assets

The authority's accounting policy for fair value measurement of financial assets is set out in note 17. The authority also measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset takes place either:

- a. in the principal market for the asset, or
- b. in the absence of a principal market, in the most advantageous market for the asset.

The authority measures the fair value of an asset using the assumptions that market participants would use when pricing the asset, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets for which fair value is measured or disclosed in the authority's Financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 – unobservable inputs for the asset.

37 Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, including:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss may arise for the authority as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management procedures focus on the unpredictability of financial markets and the implementation of restrictions to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

The Council manages risk in the following ways:

- **by formally adopting** the requirements of the Code of Practice.
- **by approving annually** in advance prudential and treasury indicators for the following three years limiting
 - The Council's overall borrowing
 - Its maximum and minimum exposures to fixed and variable rates
 - Its maximum and minimum exposures to the maturity structure of its debt
 - Its maximum annual exposures to investments maturing beyond a year
- **by approving an investment strategy** for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

Credit risk

Credit risk represents the risk that the counterparty to a transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

This risk is minimised through the Annual Treasury Management Strategy, which stipulates limits on credit criteria, deposit amounts and duration for deposits with each financial institution. Details of the Investment Strategy can be found on the Council's website.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high-quality counterparties and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The Council has assessed its short- and long-term investments and concluded that the expected credit loss is not material therefore no allowances have been made.

Liquidity risk

There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments as the Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and the PWLB, whilst providing access to longer term funds, also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council manages its liquidity position through the risk management procedures outlined as well as through cash flow management procedures required by the Treasury Code of Practice.

The maturity analysis of financial assets held as investments is as follows:

	31 March 2023	31 March 2022
	£000	£000
Less than one year	52,708	51,505
Between one and two years	10,119	15,651
Between two and three years	1,826	12,484
More than three years	-	-
Total	64,653	79,640

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. To mitigate the longer-term risk to the Council relating to managing the exposure to replacing financial instruments as they mature, the Council approves Prudential Indicator limits and an annual Treasury Management Strategy.

The Financial Services team address the operational risks within the approved parameters, by:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved maximum limits	Approved minimum limits	Actual 31 March 2023	Approved maximum limits	Approved minimum limits
	%	%	£'000	£'000	%
Less than one year*	75	-	-	7,310	0
12 months to 2 years	75	-	-	-	0
Between 2 and 5 years	75	-	1,717	1,717	2
Between 5 and 10 years	75	-	-	-	0
Between 10 and 20 years	75	-	515	515	1
Between 20 and 30 years	75	-	512	512	1
Between 30 and 40 years	75	-	10,524	10,524	13
More than 40 years	75	-	70,480	70,479	84
Between 30 and 40 years	75	-	10,524	10,524	13

* Excludes short-term borrowing less than 365 days.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. For instance, rises variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise.
- Borrowings at fixed rates – the fair value of the borrowing liability will fall.
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise; and
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has several strategies for managing interest rate risk. The annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. A prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately. A 1% change in variable interest rates would be immaterial to the Council because it has no variable rate debt and a small value of variable rate investments.

Foreign exchange risk –the Council has no financial assets or liabilities denominated in foreign currencies.

Transition to IFRS 9 Financial Instruments

The Council adopted the IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes included the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

The Council has made the following judgement when classifying financial instrument.

Statutory Override on pooled investments

The Council holds £6.0m (nominal) in pooled investment funds. As a result of the change in accounting standards for 2018/19 under IFRS 9, the Ministry for Housing, Communities and Local Government (MHCLG) agreed a temporary override to allow English Local Authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from April 2018. The Council uses the statutory override to account for any changes in the fair value on its pooled investments.

Housing Revenue Account (HRA)

Income and Expenditure Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and Government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, based on which rents are raised, is shown in the Movement on the HRA Statement.

	2022/23	2021/22
	£000	£000
Income		
Dwelling Rents	(16,095)	(15,370)
Non-dwelling rents	(122)	(118)
Charges for services	(866)	(871)
Contributions towards expenditure	(150)	(115)
Total Income	(17,233)	(16,474)
Expenditure		
Repairs and maintenance	3,992	4,490
Supervision and management	5,580	5,439
Rents, rates, taxes and other charges	52	148
Depreciation and impairment of non-current assets	6,539	8,500
Total Expenditure	16,163	18,577
Net (Income)/Expenditure or Income of HRA Services as included in the Comprehensive Income and Expenditure Statement	(1,070)	2,103
HRA Share of Corporate and Democratic Core costs	291	254
Net (Income)/Expenditure of HRA Services	(779)	2,357
(Gain) or Loss on sale of HRA non-current assets	(293)	162
Interest payable and similar charges	1,295	1,838
Interest and investment income	(918)	(733)
Pension interest and expected return on pension assets	192	176
Capital grants and contributions receivable	0	243
Reversal - Impairment of Financial Instrument	80	(9)
Other Items	0	66
(Surplus)/Deficit for the year on HRA services	(422)	4,100

Movement on the HRA Statement

	2022/23 £000	2021/22 £000
HRA revenue balance brought forward	(4,294)	(5,085)
(Surplus) or Deficit for the year on the HRA Income and Expenditure Account	(422)	4,100
Adjustments between accounting basis and funding basis under statute	(3,007)	(3,749)
Net (increase) or decrease before transfers to or from reserves	(3,429)	351
Transfers to or (from) earmarked reserves	3,638	440
(Increase) or decrease in the HRA Revenue Balance	209	791
HRA revenue balance carried forward	(4,085)	(4,294)

Note to the Movement on the HRA Statement

	2022/23 £000	2021/22 £000
Adjustments between accounting basis and funding basis under statute		
Depreciation of non-current assets	(3,182)	(3,158)
Revaluation movements and impairment on non-current assets, charged to the Comprehensive Income and Expenditure Statement	(3,172)	(5,322)
Amortisation of intangible assets	(183)	(20)
Amounts of non-current assets written off on disposal or sale	(2,517)	(3,099)
Sale proceeds credited as part of the gain/loss on disposal	2,809	2,937
Transfer to Accumulated Absences account	4	6
Capital expenditure financed from revenue balances	832	2,365
Capital grants and contributions applied	0	(243)
Transfer of Unattached Receipts to the Capital Receipts Reserve	0	(65)
Net charges made for retirement benefits (IAS 19)	(779)	(309)
Reversal of Major Repairs Allowance credited to the HRA	3,182	3,158
Statutory provision for the financing of capital investment	0	0
	(3,006)	(3,750)

Transfers to or (from) earmarked reserves	2022/23 £000	2021/22 £000
Transfer to or (from) Housing Repairs Account	49	(223)
Transfer to or (from) Tanser court/Albert sq	4	0
Transfer to or (from) HRA Capital Investment balances	(93)	611
Transfer to or (from) HRA Climate change reserve	976	0
Transfer to or (from) Major Repairs	256	0
Transfer to or (from) other earmarked reserves	2,422	52
	3,638	440

Note 1 HRA Assets

The number and types of dwellings in the Council's housing stock is as follows:

	2022/23	2021/22
Houses/Bungalows (including part-ownerships)	2,117	2,140
Flats	1,536	1,536
	3,653	3,676

The change in the stock was as follows:

	2022/23	2021/22
Stock at 1 April	3,676	3,789
Less sales (including part-ownership)	(25)	(28)
Less removal from stock		(8)
Add: new build properties		21
Add: purchase of properties	2	5
Stock at 31 March	3,653	3,676

The balance sheet includes HRA assets as detailed below.

	2022/23	2021/22
	£000	£000
Balance Sheet values as at 31 March		
Operational Assets: Dwellings	198,042	197,409
Operational Assets: Other Land and Buildings	288	847
Operational Assets: Equipment	658	652
Operational Assets: Infrastructure	830	867
Non-Operational Assets	903	1,110
Assets Under Construction	410	915
	201,130	201,800

Note 2. Vacant Possession

	2022/23 £000	2021/22 £000
Vacant Possession Value of Dwellings as at January 2023	482,010	488,280
Balance Sheet Value of Dwellings	(192,804)	(195,312)
Economic cost to Government	289,206	292,968

The vacant possession value of the dwellings is the equivalent of the market value of the properties. For balance sheet purposes it is necessary to adjust this value to show the cost of the properties at social value. This represents a value for a property if it were sold with sitting tenants enjoying rents at less than open market rents and rights such as Right to Buy. The difference between the two values represents the economic cost to the Government of providing council housing at less than open market rents. An adjustment factor is provided by the Government, which measures the difference between market and local authority rents at a regional level. The adjustment factor for Rugby is set at 40%.

Note 3. Major Repairs Reserve

The Major Repairs Reserve is an earmarked reserve for the capital financing of the planned element of replacement expenditure on council houses.

	2022/23 £000	2021/22 £000
Balance at 1 April	(3,373)	(2,189)
Amount transferred to Major Repair Reserve during the year	(260)	(3,249)
Appropriations to or (from) HRA Revenue		0
Capital financing	2,183	2,065
Balance at 31 March	(1,923)	(3,373)

Note 4. Housing Repairs Account

The Housing Repairs Account is an earmarked reserve for the financing of reactive and planned maintenance on council houses.

	2022/23 £000	2021/22 £000
Balance at 1 April	(92)	(315)
Contributions during the year	(3,899)	(4,267)
Repairs and maintenance charged	3,991	4,490
Balance at 31 March	0	(92)

Note 5(i). HRA Capital Expenditure and Financing

The following table provides a summary of total capital expenditure on land, houses and other property within the Council's HRA during the financial year, broken down by sources of funding:

	2022/23 £000	2021/22 £000
Expenditure:		
Council dwellings	5,400	5,316
Other assets	0	327
Housing Management Systems	82	0
Other expenditure	230	553
	5,713	6,196
Financed by:		
Direct Revenue Finance	(832)	(2,365)
Government Grant	(209)	(2,242)
Right to Buy Receipts	(207)	(343)
Major Repairs Reserve	(2,183)	(2,729)
Borrowing	(2,282)	1,483
	(5,713)	(6,196)

Note 5(ii). HRA Capital Receipts

The following table provides a summary of total capital receipts from disposals of land, houses and other property within the Council's HRA during the financial year:

	2022/23 £000	2021/22 £000
Sales of Council Houses under Right to Buy (RTB)	(2,809)	(2,937)
RTB Discounts repaid	0	(9)
Council House Mortgage Principal Repayments	0	(57)
	(2,810)	(3,003)

Note 6. Depreciation of Property Plant and Equipment

The following table provides a summary of the charges for depreciation for the land, houses and other property within the Council's HRA:

	2022/23 £000	2021/22 £000
Operational Assets		
Dwellings, other land, buildings	(3,038)	(2,988)
Equipment	(106)	(132)
Non-operational assets	(37)	(30)
	(3,181)	(3,150)

A full valuation of the stock must be undertaken every 5 years. The latest one was carried out as at 1 January 2020.

Note 7. Contribution to/from Pensions Reserve

The HRA share of IAS19 Employee Benefits pension adjustments is based on the number of employees charged to the HRA. Also see Note 35 Pension Costs and Note 36 Pensions Reserve.

Note 8. Tenant Arrears

During 2022/23 rent arrears as a proportion of gross rental income have changed from 7.80% of the amount due to 6.68%. The figures, excluding service charges and debts of up to three weeks are as follows:

	2022/23 £000	2022/23 £000
Arrears of current tenants (not including current weeks)	632	520
Arrears of former tenants	492	376
Total tenants' arrears at 31 March	1,124	896

During 2022/23 – the Housing Management - Tenancy Sustainment team provided tenancy coaching to more than 400 customers, including those living in temporary accommodation in preparation for secure tenancies.

Bad Debts

The level of bad debt provision is calculated with reference to the HRA (Arrears of Rents and Charges) Directions 1990. An analysis of the Bad Debt Provision Account is as follows:

	2022/23	2021/22
	£000	£000
Balance at 1 April	(482)	(521)
Write off/Write on		30
Provision made in the year		9
Balance as at 31 March		(482)

Collection Fund Statement

The collection fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate collection fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£'000	£'000	£'000	£'000
INCOME				
Council Tax Receivable	-	(83,351)	(83,351)	(79,037)
Business Rates Receivable	(52,070)		(52,070)	(51,293)
Transitional Protection Payments Receivable	-		-	(80)
Reconciliation Adjustments	-	-	-	-
	(52,070)	(83,351)	(135,421)	(130,409)
Contribution to Previous Year Estimated Deficit				
Central Government	-		-	(8,232)
Warwickshire County Council	-	-	-	(1,829)
Rugby Borough Council	-	-	-	(6,612)
Police and Crime Commissioner for Warwickshire	-	-	-	(29)
	0	0	0	(16,702)
Total Income	(52,070)	(83,351)	(135,421)	(147,111)
EXPENDITURE				
Transitional Protection Payments	260	0	260	0
Distribution of Previous Year Estimated Surplus				
Central Government	2,314	-	2,314	-
Warwickshire County Council	463	712	1,174	-
Rugby Borough Council	1,851	103	1,955	-
Police and Crime Commissioner for Warwickshire	-	118	118	-
	4,628	933	5,561	0
Precepts, Demands and Shares				
Central Government	26,100		26,100	26,004
Warwickshire County Council	5,220	62,818	68,038	64,602
Rugby Borough Council	20,880	9,023	29,904	29,436
Police and Crime Commissioner for Warwickshire	-	10,373	10,373	9,799
	52,201	82,214	134,415	129,840
Charges to Collection Fund				
Write offs of uncollectible amounts	(48)	-	(48)	-
Less: Increase / (Decrease) in Bad Debt Provision	113	240	353	254
Less: Increase / (Decrease) in Provision for Appeals	3,253	-	3,253	4,833
Appeals and List Alterations	(2,129)	-	(2,129)	(3,630)
Cost of Collection Allowance	133	-	133	132
Disregarded Amounts	126	-	126	80
Reconciliation Adjustments	-	-	-	-
	1,448	240	1,736	1,668
Total Expenditure	58,536	83,387	141,972	131,509
Movement on Fund				
(Surplus)/ Deficit arising during the year	6,467	36	6,502	(15,602)
(Surplus)/ Deficit arising at 1 April	(4,187)	(665)	(4,852)	10,750
(Surplus)/ Deficit arising at 31 March	2,280	(629)	1,650	(4,852)

Notes to the Collection Fund Statement

Note 1. Council Tax

The Council is required to calculate a tax base each year and this is divided into the total precept requirement for Warwickshire County Council, the Police and Crime Commissioner for Warwickshire and the Borough Council to produce the average band D council tax figure of £2,082.17 for 2022/23.

The tax base is calculated by estimating the number of chargeable dwellings in each valuation band, considering an estimate of additions and deletions during the year, and adjusted for the effects of various reliefs, exemptions and discounts, where applicable.

This is converted to an equivalent number of band D dwellings. Finally, an adjustment is made to cover non-collection of arrears. A summary of the calculation is shown in the following table.

Band	No. of Chargeable Dwellings	Ratio	Band D Equivalent
A-	7.87	5/9	3.75
A	6,128.77	6/9	4,020.42
B	9,222.92	7/9	7,214.31
C	10,041.62	8/9	8,945.65
D	6,224.17	9/9	6,468.36
E	4,690.56	11/9	5,812.02
F	3,039.73	13/9	4,473.11
G	1,627.91	15/9	2,831.87
H	70.93	18/9	142.50
			39,911.99
		Less allowance for non-collection	(558.77)
		Contributions in lieu (MOD properties)	131.80
		COUNCIL TAX BASE 2022/23	39,485.02

(Band A- relates to a reduction for persons with disabilities on Band A)

The tax base multiplied by the average band D council tax of £2,082.17 provided an original estimate of income of £82.214m for 2022/23. The actual income for 2022/23 was £83.351m thus above expectations by 1.38%.

Note 2. Business Rates (National Non-Domestic Rates)

The business rates retention scheme provides for non-domestic rates collected by a billing authority to be shared between it, its major precepting authority and Central Government.

The Council collects non-domestic rates for its area, based on local rateable values multiplied by a national rate. The total rateable value for the Rugby Borough area was £129.362m at 31 March 2023 (£131.543m in 2021/22). The non-domestic rating multiplier for 2022/23 was 51.2p (51.2p in 2021/22) and the small business non-domestic rating multiplier was 49.9p (49.9p in 2021/22).

Note 3. Collection Fund Balance Apportionment

The net surplus on the Collection Fund as at 31 March 2023 of £1.650m will be split between the authorities and recovered in 2022/23 in the following proportions:

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£000	£000	£000	£000
Central Government	1,140	0	1,140	(2,093)
Warwickshire County Council	228	(481)	(253)	(925)
Police and Crime Commissioner for Warwickshire	0	(80)	(80)	(85)
Rugby Borough Council	912	(69)	843	(1,749)
	2,280	(629)	1,650	(4,852)

The Balance Sheet as at 31 March 2023 will include a net creditor/debtor for each of the precepting authorities' share of the Collection Fund (surplus)/deficit.

The Council's share of the net surplus on the Collection Fund of £0.843m (2021/22 £1.749m) is recognised in the Comprehensive Income and Expenditure Statement in 2022/23 but reversed out to the Collection Fund Adjustment Account in the Movement in Reserves Statement.

Note 4. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of income from council tax and business rates in the Comprehensive Income and Expenditure Statement as it falls due compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/23			2021/22
	Business Rates	Council Tax	Total	Total
	£000	£000	£'00	£000
Balance at 1 April	(1,755)	(74)	(1,829)	4,146
Amount by which income credited to the Comprehensive Income and Expenditure Statement is different from income calculated for the year in accordance with statutory requirements.	2,621	5	2,626	(5,975)
Balance at 31 March 2023	2,621	5	2,626	(5,975)

Note 5. Coventry and Warwickshire Business Rates Pool

The Council has been part of the Coventry and Warwickshire Business Rates Pool since the introduction of the Business Rates Retention scheme in 2013/14. The outturn performance of the Pool between 2013/14 – 2022/23 had resulted in an accumulated Safety Net Reserve balance of £2.435m of which the Council's share was £0.627m.

Independent Auditor Report

Independent auditor's report to the Councillors of Rugby Borough Council

Report on the Audit of the Financial Statements

work, for this report, or for the opinions we have formed.

Avtar Sohal, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

Date:

ANNUAL GOVERNANCE STATEMENT

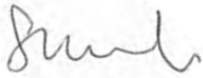
2022-23

RIGHT FOR RUGBY

Annual Governance Statement 2022/23

Mannie Ketley - Executive Director

Date:



Councillor xxxxxxxxxxxxxx - Leader of Rugby Borough Council

Date:

Glossary

Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Appointed Auditors

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. Grant Thornton UK LLP is the Council's appointed Auditor.

Balances

The balances of the Council represent the accumulated surplus of income over expenditure on any of the Funds.

Business Rates

A local tax paid by businesses, based on the value of their premises as assessed by the Government Valuation Office Agency (VOA).

Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Requirement

A measure of an authority's cumulative need to borrow to finance capital expenditure or to meet the costs of other long-term liabilities.

Capital Receipts

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services.

Code of Practice (the Code)

The Code of Practice on Local Authority Accounting determines how Local Authorities should interpret all issued Accounting Standards in the light of statutory legislation and guidance, to present fairly the accounts of a public body.

Collection Fund

The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of council tax and Non-Domestic Rates (NDR) and its distribution to local Government bodies and the Government.

Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's Accounts.

Creditors

Amounts owed by the Council for work done, goods received, or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e., the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet

Defined Benefit Scheme

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Department for Levelling Up, Housing and Communities (DLUHC)

MHCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Earmarked Reserves

The Council holds several reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit

The independent examination of the activities and accounts of Local Authorities to ensure the Accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund

This is the main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

Heritage Asset

A tangible asset with historical, artistic, scientific, technological, geophysical, or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Housing Benefit

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Council's own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Housing Revenue Account (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing. Other services are charged to the General Fund.

Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses, and patent

International Financial Reporting Standard (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all Financial statements to provide a true and fair view of the entity's financial position, and a standardised method of comparison with Financial statements of the other entities.

Inventories

Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:

- Goods or other assets purchased for resale
- Consumable stores
- Raw materials and components
- Products and services in intermediate stages of completion
- Finished goods

Investment Properties

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Market Value

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make based on financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)

This is a financial planning document that sets out the future years' financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, capital programme and HRA.

Medium Term Financial Plan (MTFP)

This is the detail and assumptions behind the MTFS and is referred to when the Council talk about the calculations in the MTFS.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

Net Book Value (NBV)

The amount at which non-current assets are included in the balance sheet, i.e., their historical cost or current value less the cumulative amounts provided for depreciation.

Net Debt

Net debt is the Council's borrowings less cash and liquid resources.

Net Realisable Value (NRV)

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Non-Domestic Rate (NDR) (also known as Business Rates)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)

PPE are tangible assets (i.e., assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, elected Councillors, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Reserves

Reserves are reported in two categories

Usable Reserves

Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

Unusable Reserves

Amounts that the Council is required to identify but which cannot be used to support the provision of services. The unusable reserves include unrealised gains and losses as identified in the Revaluation Reserve below and timing differences reflecting the statutory funding basis of Council expenditure compared to proper accounting practices.

Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value because of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Section 106 (Developer) Contributions

Planning obligations are legal contracts made under section 106 of the 1990 Town and Country Planning Act. They are generally entered into by agreement between councils and landowners.

Treasury Management

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Unsupported (Prudential) Borrowing

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Useful Life

The period over which the Council will derive benefits from the use of a non-current asset.

AGENDA MANAGEMENT SHEET

Report Title: Internal Audit Progress Update

Name of Committee: Audit and Ethics Committee

Date of Meeting: 28 September 2023

Report Director: Chief Officer - Finance and Performance

Portfolio: Finance, Performance, Legal and Governance

Ward Relevance: None

Prior Consultation: Chief Officer - Finance and Performance

Contact Officer: Richard Green, Interim Corporate Assurance Manager, richard.green@rugby.gov.uk

Public or Private: Public

Report Subject to Call-In: No

Report En-Bloc: No

Forward Plan: No

Corporate Priorities: This report relates to the following priority(ies):
 Rugby is an environmentally sustainable place, where we work together to reduce and mitigate the effects of climate change. (C)
 Rugby has a diverse and resilient economy that benefits and enables opportunities for all residents. (E)
 Residents live healthy, independent lives, with the most vulnerable protected. (HC)
 Rugby Borough Council is a responsible, effective and efficient organisation. (O)
[Corporate Strategy 2021-2024](#)
 This report does not specifically relate to any Council priorities but

(C) Climate
(E) Economy
(HC) Health and Communities
(O) Organisation

Summary: The report sets out progress towards delivery of the annual internal audit plan and provides an update on service performance.

Financial Implications: None

Risk Management/Health and Safety Implications: Non delivery of an adequate internal audit plan would have an adverse impact on the level of

assurance provided in the Annual Governance Statement.

Environmental Implications: None

Legal Implications: None

Equality and Diversity: No implications

Options: None

Recommendations: The report be noted.

Reasons for Recommendations: To comply with the requirements of the terms of reference of the Audit and Ethics Committee, and to discharge the Committee's responsibilities under the Constitution.

Audit and Ethics Committee - 28 September 2023

Internal Audit Progress Update

Public Report of the Chief Officer - Finance and Performance

Recommendations

The report be noted.

1. Introduction

- 1.1 The purpose of this report is to set out progress against the Internal Audit Plan for 2023/24.

The Council has a legal duty to maintain an adequate and effective Internal Audit service. The primary role of Internal Audit is to provide independent assurance that the Council has put in place appropriately designed internal controls to ensure that:

- the Council's assets and interests are safeguarded;
- reliable records are maintained;
- Council policies, procedures and directives are adhered to; and
- services are delivered in an efficient, effective and economic manner.

This work is normally referred to as Section 151 work.

2. Summary of Audit Work

- 2.1 The Internal Audit plan for 2023/24 was approved by the Audit and Ethics Committee on 30 March 2023. Progress against delivery of that plan is set out at Appendix A.

3. Revisions to the 2023/24 Audit Plan

- 3.1 The Committee's role as gatekeeper requires it to approve any significant changes to the internal audit plan, in accordance with the Public Sector Internal Audit Standards. It is also good practice to continually review the audit plan in light of emerging issues, to ensure that the work of internal audit adds maximum value by proactively responding to and aligning its work with the most significant risks facing the organisation. There are currently no proposed amendments to the internal audit plan.

Name of Meeting: Audit and Ethics Committee
Date of Meeting: 28 September 2023
Subject Matter: Internal Audit Progress Update
Originating Department: Finance and Performance

DO ANY BACKGROUND PAPERS APPLY YES NO

LIST OF BACKGROUND PAPERS

Doc No	Title of Document and Hyperlink

The background papers relating to reports on planning applications and which are open to public inspection under Section 100D of the Local Government Act 1972, consist of the planning applications, referred to in the reports, and all written responses to consultations made by the Local Planning Authority, in connection with those applications.

Exempt information is contained in the following documents:

Doc No	Relevant Paragraph of Schedule 12A

**INTERNAL AUDIT PROGRESS
UPDATE**

SEPTEMBER 2023

RIGHT FOR RUGBY

Introduction

- 1.1** The Public Sector Internal Audit Standards (the Standards) require the Audit and Ethics Committee to scrutinise the performance of Internal Audit and to satisfy itself that it is receiving appropriate assurance that the controls put in place by management address the identified risks to the Council. This report aims to provide the Committee with details on progress made in delivering planned work, the key findings of audit assignments completed since the last Committee meeting, updates on the implementation of actions arising from audit reports and an overview of the performance of the team.

Performance

2.1 Will the Internal Audit Plan be delivered?

The expected position by the date of the Committee meeting is as follows:

- 3 final reports have been issued
- 1 compliance assessment issued
- 1 draft report has been issued
- 4 assignments are in progress;
- 8 assignments are at the planning stage; and
- 11 assignments have not yet been started

At the time of writing there are sufficient resources available, and the internal audit plan is expected to be delivered on time. The delivery will be supported by the Council's external contractor, Lighthouse Consulting Ltd, who will deliver the Council's IT internal audits, and support delivery of non-IT audits where required.

Progress on individual assignments is shown at pages 6 to 11 of this report.

2.2 Based upon recent Internal Audit work, are there any emerging issues that impact upon the Internal Audit opinion of the Council's Control Framework?

At this stage there are no emerging issues arising from the work of Internal Audit which significantly impact upon the Internal Audit opinion of the Council's Control Framework.

2.3 Are clients progressing audit recommendations with appropriate urgency?

At the date of reporting, a cumulative 70% of management actions have been implemented by the agreed implementation date, with a further 20% implemented late, giving an overall implementation rate of 90%.

A summary analysis of progress on implementation of audit recommendations is shown at pages 12 to 13.

At the time of reporting there are 18 agreed management actions for which implementation is overdue, 2 of which are regarded as High risk, 7 regarded as Medium risk and 9 low risk.

The details of the actions related to High or Medium risks, along with a summary of the latest position, are set out at pages 14 to 15. Implementation of the actions will continue to be monitored by the Corporate Assurance team and reported to each Committee meeting.

2.4 Internal Audit Performance Indicators

The effectiveness with which Internal Audit discharges its section 151 responsibilities is being measured by the following indicators, as agreed by the Audit and Ethics Committee:

<u>Theme</u>	<u>Title of Performance Indicator</u>	<u>Current Performance</u>
Delivery	Average end to end time for audits (number of days)	100 days This has reduced slightly but still high due to delays with previous reviews.
Adding Value	Customer Satisfaction – Average Rating	Reported as an annual measure.
Timeliness	Timeliness of Reporting – Average time taken to issue draft reports following fieldwork completion	7 days Performance is broadly stable and below the 10 days considered to be the benchmark followed by peers.
Effectiveness	Implementation of Agreed Actions – Percentage implemented on time	70% - at the time of reporting there are 18 recommendations which are past their agreed implementation date, 2 are regarded as High risk and 7 as Medium risk. Refer to page 12 onwards for details.

Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

Internal Audit is undertaking a programme of work agreed by the council's senior managers and approved by the Audit and Ethics Committee subject to the limitations outlined below.

Opinion

Each audit assignment undertaken addresses the control objectives agreed with the relevant responsible managers. There might be weaknesses in the system of internal control that Internal Audit are not aware of because they did not form part of the programme of work were excluded from the scope of individual internal audit assignments or were not brought to the attention of Internal Audit. As a consequence, the Audit and Ethics Committee should be aware that the Audit Opinion for each assignment might have differed if the scope of individual assignments was extended or other relevant matters were brought to Internal Audit's attention.

Internal Control

Internal control systems identified during audit assignments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls, and unforeseeable circumstances.

Future Periods

The assessment of each audit area is relevant to the time at which the audit was completed. In other words, it is a snapshot of the control environment at that time. This evaluation of effectiveness may not be relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulatory requirements or other factors; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance, and for the prevention or detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

Internal Audit endeavours to plan its work so that there is a reasonable expectation that significant control weaknesses will be detected. If weaknesses are detected additional work is undertaken to identify any consequent fraud or irregularities. However, Internal Audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected, and its work should not be relied upon to disclose all fraud or other irregularities that might exist.

Progress to date

Since the last Audit & Ethics committee meeting there have been 3 audit reports issued and one compliance report issued.

Housing Rents and Company Credit Cards reports were both given a limited assurance and are therefore reported separately.

The External Audit Recommendations report was an extra piece of work to assess the implementation of the actions agreed with the external auditors. This gave a high assurance rating with only 2 minor recommendations relating to deleting unused dummy accounts and reviewing the IT Risk Register.

The CIPFA Financial Management Code review assessed compliance against 17 standards, 12 were fully compliant, 4 substantially complaint and 1 working towards compliant.

Ethical Governance has been issued as a draft and is being considered by management.

Audit	Assurance level	Recommendations			
		High	Medium	Low	Total
Housing Rents	Limited	4	7	3	14
Company Credit Cards	Limited		6	3	9
External Audit Recommendations	High			2	2
CIPFA Financial Management Code	N/A				

Progressing the Annual Internal Audit Plan

KEY

Current status of assignments is shown by ✓

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Financial Risks									
Housing Benefits	20		✓						
Sundry Debts	16			✓					
Housing Rents	20						✓	Limited	
CIPFA Financial Management Code Compliance	10						✓	N/A	
Corporate Credit Cards	10						✓	Limited	

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Counter Fraud									
Fraud Awareness	8		✓					Not applicable	
Transaction Testing	20		✓						
Transport – Fuel Usage	12			✓					
ICT									
System Resilience	8	✓							Being delivered by external contractor
Corporate Risks									
Business Continuity & Emergency Planning	12	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Corporate Health & Safety	25	✓							
Performance Management & Data Quality	20	✓							Being delivered by external contractor
Project Management & Corporate Strategy Delivery	16	✓							Being delivered by external contractor
Customer Access Strategy	12	✓							
Governance & Ethical Risks									
Internal Constitution	20	✓							

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Ethical Governance	15					✓			Being delivered by external contractor
Operational Risks									
Follow up work	28		✓					Not Applicable	
Business Improvement District	15	✓							
Benn Hall	16	✓							
Bereavement Services	20		✓						
Complaints and Freedom of Information	18		✓						
Fleet Management	20			✓					

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
WSU Health & Safety Action Plan	10	✓							
Property Repairs including Stock Control	25			✓					
Homelessness Grants	8		✓						
Assets – Statutory Compliance	12		✓						

Assignment	Budget (days)	Not Started	Planning	Field Work In Progress	Field Work Complete	Draft Report	Final Report	Assurance Rating	Comments
Additional Support									
Annual Governance Statement	12	✓							
External Audit Recommendations	5						✓	High	
National Fraud Initiative	8							Not applicable	Ongoing co-ordination of the Council's NFI work.
Control Environment - Advice	25							Not applicable	
Corporate Investigation Work	40							Not applicable	

Summary Of Audit Recommendations 2020 - 2024 to date

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2020/21	Local Government Transparency Code	0	1	0	1	0	1	3
2020/21	Expenses	0	1	0	2	0	0	3
2020/21	Payroll	0	2	2	2	0	0	6
2020/21	Covid Business Grants	0	0	1	1	2	0	4
2020/21	Test and Trace Support Payments	0	1	1	1	1	0	4
2020/21	Equal Pay & Single Status	3	2	2	1	0	0	8
2021/22	Payment Card Industry Data Security Standards	0	5	3	0	0	1	9
2021/22	Policies, Procedures and Strategies	0	1	0	0	0	0	1
2021/22	Treasury Management	0	3	0	8	0	1	12
2021/22	Fraud Risk Review	0	4	0	0	0	0	4
2021/22	Trade Waste	10	1	2	0	0	0	13
2021/22	Housing Rent Arrears	4	2	0	1	2	2	11
2021/22	Council Tax	0	1	0	3	0	1	5
2021/22	Service Desk Management	0	0	0	0	0	3	3
2021/22	Budget Setting & Budgetary Control	0	4	0	1	0	0	5
2021/22	Housing Standards	0	1	0	0	0	0	1

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2022/23	Workforce Training	5	4	1	0	0	1	11
2022/23	Procurement & Contact Management	0	4	1	1	0	0	6
2022/23	ICT Financial Processes Review	1	0	0	0	0	0	1
2022/23	Voids Review	8	3	1	2	0	2	16
2022/23	Risk Management	1	0	0	0	0	1	2
2022/23	Licensing	4	1	0	1	0	1	7
2022/23	NDR	3	2	0	0	0	0	5
2022/23	Food Safety	5	0	0	0	0	0	5
2022/23	Right to Buy	2	1	0	0	0	1	4
2022/23	Section 106 Agreements	3	0	0	0	0	0	3
2022/23	Systems Resilience	4	1	0	0	0	1	6
2022/23	Data Protection/Records Management	8	0	0	0	0	1	9
2022/23	Counter Fraud Framework	4	1	0	0	0	0	5
2022/23	Growth Hub Grants	2	1	0	0	0	0	3
2022/23	Impact Assessments	1	0	0	0	0	1	2
2023/24	Housing Rents	14	0	0	0	0	0	14
	Totals	82	47	14	25	5	18	191
2017/2020		0	114	72	60	14	0	260
	Overall Totals	82	161	86	85	19	18	451

Summary of Audit Recommendations 2017 to 2020

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2017/18	Business Continuity and Emergency Planning	0	0	0	1	0	0	1
2017/18	Corporate Credit Cards	0	0	0	0	1	0	1
2017/18	Council Tax and NDR	0	0	0	4	2	0	6
2017/18	Fleet Management	0	3	5	0	1	0	9
2017/18	Financial System Key Controls	0	1	0	1	1	0	3
2017/18	Housing Rent Arrears	0	0	0	2	0	0	2
2017/18	Payment Card Industry Data Security Standards	0	0	2	0	0	0	2
2017/18	Partnership Governance	0	1	0	0	0	0	1
2017/18	Property Repairs Stock Control	0	0	2	1	0	0	3
2017/18	PTC Interface	0	2	0	0	0	0	2
2017/18	Risk Management	0	1	3	0	1	0	5
2017/18	Values and Behaviours	0	5	0	0	1	0	6
2018/19	Absence Management	0	5	3	0	0	0	8
2018/19	Benefits	0	0	0	1	0	0	1
2018/19	Car Parking Enforcement	0	1	0	0	0	0	1
2018/19	Creditors	0	3	0	4	0	0	7
2018/19	Data Protection Governance	0	3	4	1	1	0	9

Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2018/19	Elections	0	0	0	1	1	0	2
2018/19	Fraud Risk Review	0	4	6	2	0	0	12
2018/19	Grants to Community Groups	0	13	0	0	0	0	13
2018/19	Green Waste Optimisation	0	2	0	0	0	0	2
2018/19	Health and Safety Follow Up	0	2	9	2	0	0	13
2018/19	Independent Living	0	9	0	3	1	0	13
2018/19	Insurance	0	1	0	0	0	0	1
2018/19	ICT Backup	0	3	1	0	0	0	4
2018/19	Patch Management	0	4	2	0	0	0	6
2018/19	Property Repairs	0	6	2	3	0	0	11
2018/19	Treasury Management	0	2	0	4	0	0	6
2018/19	Tenant Recharges	0	5	0	2	0	0	7
2019/20	Freedom of Information	0	6	1	1	0	0	8
2019/20	Local Government Transparency Code	0	6	9	3	0	0	18
2019/20	Complaints, Compliments & Suggestions	0	4	1	3	0	0	8
2019/20	IT Security	0	0	3	0	0	0	3
2019/20	Cash & Bank	0	7	4	3	0	0	14
2019/20	Customer Service Centre Demand Management	0	0	2	5	1	0	8
2019/20	Housing Rent Arrears	0	1	0	7	2	0	10



Year	Audit	Not yet due	Within time	Extended time	Out of time	Cancelled	Overdue	Total Recs
2019/20	Digitalisation	0	1	7	0	1	0	9
2019/20	IT Business Continuity	0	0	5	0	0	0	5
2019/20	Completeness of Income	0	7	0	2	0	0	9
2019/20	HR Capability & Disciplinary	0	6	1	4	0	0	11
Totals		0	114	72	60	14	0	260

Notes:




Extended time: This is where the Corporate Assurance and Improvement Manager had agreed an extension to the original timescale.



Out of time: This is where the action was implemented later than the agreed timescale



Details of Overdue Medium and High Risk Audit Recommendations

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Housing Rent Arrears 2021/22	Ensure former tenant arrears are understood and addressed appropriately. This work needs to take place in parallel with managing current tenant arrears.	31-Jul-2023		<p>Asked Marie for update 14/8/23. replied and said there is no progress.</p> <p>Previous updates: 31/7/23: Due to the significant issues with CX & collecting current tenant arrears this has yet to be progressed. We are using agency staff as we are still an Income Officer down due to long term sickness. The Housing Services restructure, which we are hoping will be approved by Council in late October, includes another Income Officer half post as well as a Lead Income Officer. The Lead Income Officer is currently just an "acting up" position so we will gain another full time specialist officer.</p> <p>Marie 12/1/23: We have assigned a designated officer to clear the backlog of FTAs. Once cleared FTAs will sit within the rents team and will be managed alongside current debt on a patch basis. The wider team have been given an awareness of FTA's and now have a greater understanding and manage recently closed balances to prevent a re-occurrence of the</p>	31-Aug-2023	■ High Risk	Chief Officer Communities

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
				backlog. Rentsense has a specific module for FTA's which we hope to introduce. Progress moved on to 50% and date extended to 31/7/23.			
Right to Buy	In line with Section 121AA of the Housing Act 1985 the Council (as Landlord) to issue an up to date Right to Buy information document to all secure tenants at least every five years, as well as to all new secure tenants at the time of tenancy.	31-Jul-2023		<p>Asked Marie for update 14/8/23. Marie replied and said there is no progress.</p> <p>Previous update 7/8/23:</p> <p>Marie has confirmed the following:</p> <p><i>Mary Jane is working on the second one to get it out with the tenant newsletter. Unfortunately, various random things such as restrictions on how many sides of A4 Business Support can put out at a time and the long term inability to ask CX to manage a bulk communication, have hampered this. Hopefully we'll get it done by the end of August</i></p>	31-Aug-2023	■ High Risk	Chief Officer Communities

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Data Protection / Records Management 22/23	Management Team establishes a squad and tasks it with management and oversight of Information Governance risks and issues. A Terms of Reference should be created documenting the membership and roles and responsibilities within the team.	31-Jul-2023		Spoken to Matthew D who has advised that a squad has been formed and Terms of Reference will be produced once the group has met in September	31-Aug-2023	 Medium Risk	Human Resources Manager
Licensing 22/23	To address the GDPR requirements for accuracy & data minimisation, the Licensing Team should consider a data validation exercise on records to ascertain if data should still be held on individual & if so, verify it is still accurate.	31-Aug-2023		Response from Emma P – 4/09/2030 Data Accuracy (personal licences) - This data is currently being transferred onto the new system, each case is being reviewed in terms of the validity of the licence. Only current, valid data is being transferred onto the new system		 Medium Risk	Licensing & Parking Manager
Payment Card Industry Data Security Standards 21/22	Review the security assessment and implement the recommendations.	30-Apr-2023		Response received from SM - 29/08/2023 We have worked with a specialist company to work through the various elements of PCI-DSS compliance, there are over 400 individual elements to comply with. We now have a prioritised action plan of areas we need to follow	30-Aug-2023	 Medium Risk	IT and Digital Service Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
				up with evidence, further works, policy revision etc.			
Service Desk Management 21/22	Management to review options around Service Desk management and oversight.	31-Mar-2023		Response received from SM 29/08/2023. As the IT Restructure is still in progress and is subject to council approval on the 20th of September, we have no Service Desk Lead in place to carry out the actions as above. Once appropriate resources are in place, we can ensure this is on an immediate action plan to close out.	30-Aug-2023	 Medium Risk	IT and Digital Service Manager
Service Desk Management 21/22	The development and documentation of problem management processes and controls should be assigned to a nominated owner.	31-Mar-2023		Response received from SM 29/08/2023. As the IT Restructure is still in progress and is subject to council approval on the 20th of September, we have no Service Desk Lead in place to carry out the actions as above. Once appropriate resources are in place, we can ensure this is on an immediate action plan to close out.	30-Aug-2023	 Medium Risk	IT and Digital Service Manager

Audit	Title	Due Date	Completed Date	Latest Note	Latest Note Date	Risk Rating	Responsible Manager
Systems Resilience 22/23	A documented IT Disaster Recovery plan is produced outlining detailed procedures for recovery of the ICT network infrastructure.	31-Jul-2023		<p>Response received from SM 29/08/2023 - IT draft plan completed.</p> <p>A baseline DR plan for IT systems as a whole has been drafted. We are working with Health and Safety team as they are conducting BCP plans with Service Areas, this piece of work will feed into our overall plan. We currently have no set detail set out by the organisation or areas, specifically to identify critical applications and agreed RPO times. We anticipate to complete further works and be complete by Q3 2023.</p>	30-Aug-2023	 Medium Risk	IT and Digital Service Manager
Local Government Transparency Code 20/21	Include all Purchase Orders in excess of £5k within the quarterly published Procurement Information.	31-Jul-2023		<p>Discussed with Dawn LW. Procurement Team Leader needs to ask for a report to be built by IT. There may be some duplication as they are starting to request POs for some contracted spend. This will be published as a separate spreadsheet to the contract register which is currently the published data and was last published for Q4 22/23 (Jan - Feb 23). The Q1 (April - June 23) data has not yet been published but will be when the above report is received from IT.</p>	21-Aug-2023	 Medium Risk	Chief Officer- Finance & performance